

**SUTTER GOLD MINING INC.**  
**Management's Discussion and Analysis**  
**For the three months ended March 31, 2012**  
**(Containing information up to and including May 23, 2012)**

This Management's Discussion and Analysis ("MD&A") is an overview of the activities of Sutter Gold Mining Inc. and its subsidiaries (together, "Sutter" or "the Company") for the three months ended March 31, 2012. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and accompanied notes for the years ended December 31, 2011 and 2010. Both of these referenced financial statements, the Company's statutory filings, and additional information are available on SEDAR [www.sedar.com](http://www.sedar.com) and on the Company's website [www.suttergoldmining.com](http://www.suttergoldmining.com).

All currency amounts are expressed in US dollars unless otherwise noted. The effective date of the MD&A is May 23, 2012. This MD&A contains statements that constitute "forward-looking statements" and other cautionary notices (Refer to "Forward Looking Statements").

The annual audited consolidated financial statements for the year ended December 31, 2011 were prepared in accordance with International Financial Reporting Standards ("IFRS") 1. The interim financial statements for the quarters ended March 31, 2012 and 2011 were prepared in accordance with International Accounting Standard ("IAS") 34 under IFRS.

Technical information in this MD&A has been reviewed by the Company's Chief Operating Officer, Matt Collins who is a Qualified Person as defined by Canadian National Instrument 43-101 ("NI 43-101"). Further information regarding the Company's California mineral resources can be found in the Form 43-101 Technical Report "Mineral Resource Estimate, Sutter Gold Project, Amador County, California", dated February 5, 2008, by consulting geologist and Independent Qualified Person Mark Payne, P. Geo. Calif. #7076. Resources were defined according to Canadian Institute of Mining ("CIM") Definitions for Mineral Resources, and are compliant with NI 43-101, Standards of Disclosure for Mineral Projects.

## **Business Overview**

The following discussion is qualified in its entirety by both the section entitled Risks and Uncertainties and by the Forward-looking Statements provision that follow this outlook section.

Sutter's strategy is to excel as a precious metals company specializing in the discovery, definition and development of gold deposits, building mineral resources and advancing projects into valuable assets capable of becoming profitable mining operations. Sutter seeks to achieve these goals by focusing activities and cash expenditures on projects that will enhance shareholder value while maintaining safe work conditions, protecting the environment, and building strong relationships with local communities and other stakeholders.

The Company's principal assets are the Sutter Gold Mine and Lincoln Project located in the historic Mother Lode District 45 miles southeast of Sacramento, California. The Sutter Gold Mine and Lincoln Project are situated on a 551-acre block of surface and mineral rights owned in fee or leased from fee owners, in the central part of the 121-mile-long Mother Lode gold belt. The Company's property lies within a 10-mile section of the Mother Lode belt which is credited with historic production of 7.8 million ounces of gold. This property had a recorded production of approximately 3.4 million ounces of gold, essentially all recovered prior to 1920. Records indicate that these formerly producing mines had documented reserves at the time of their closing that have not been recovered.

Sutter's Board of Directors has approved the development of the Lincoln Project, based upon the conclusions of a Preliminary Economic Assessment ("PEA") (see news releases "Sutter Gold Announces Positive Preliminary Economic Assessment for the Lincoln Mine Gold Project" dated May 4, 2011 and "Sutter Gold Announces Positive Production Decision for the Lincoln Mine Gold Project and Agrees to a \$20 Million Prepaid Gold Project Finance Facility" dated June 22, 2011). The PEA is based on a mine plan containing 244,800 tons of potentially minable

material grading 0.46opt (15.8g/t) including mining dilution and losses. An underground mining operation with a 5-year mine life is considered, processing 150 tons per day using conventional gravity and flotation recovery producing 22,300 ounces of gold annually. The initial startup capital requirement is estimated at approximately \$20M with working capital of \$3.2M. Cash operating costs are estimated at \$704/ounce produced. Preproduction development began in October 2011.

The Company strongly believes the potential for extending the mine life beyond 5 years exists within the Lincoln-Comet resource. Several mineralized zones in both the Lincoln-Comet and Keystone areas remain open down plunge to the southeast and to depth. Sutter's Board of Directors approved a \$1.2 million exploration program to further identify mineral resources in the immediate Lincoln and Comet areas (see news release "Sutter Gold Plans Drilling to Expand Resources at its Lincoln Mine Project and Provides Development Update" dated October 13, 2011).

The Company's short range goal is to produce gold from the Lincoln-Comet deposit by initiating state-of-the-art, environmentally compatible mining operations on a modest scale similar to the historic mining in the Mother Lode but with a contemporary understanding of the myriad of issues associated with such endeavors. Engineering, design and economic evaluation has been ongoing for the past two years towards this end. The Company has employed a core professional staff with direct experience in these types of operations and is identifying, recruiting and hiring additional candidates for the team of people necessary for the operation. The Company continues to evaluate the potential opportunity to further consolidate mineral properties contained within the 10-mile section of the Mother Lode Trend.

Sutter Gold Mining Inc. is a Vancouver, British Columbia-based company, with a management office in Denver, Colorado and its mine office in Sutter Creek, California. The Company's shares trade on the Toronto Stock Exchange (TSX-V) under the symbol "SGM" and on the U.S. Over-the-Counter market (OTCQX) under the symbol "SGMNF".

### **Selected Annual Financial Information**

*(Expressed in US dollars)*

	<b>For the year ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009*</b>
Total revenues	\$ 19,200	\$ 32,100	\$ 33,700
Operating costs and expenses	\$ 3,515,900	\$ 2,841,000	\$ 2,960,100
Net loss**	\$ (6,926,600)	\$ (1,824,500)	\$ (3,349,200)
Net loss per share – basic and diluted***	\$ (0.10)	\$ (0.05)	\$ (0.03)

  

	<b>As at December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009*</b>
Total assets	\$ 6,961,800	\$ 1,117,100	\$ 2,083,300
Non-current financial liabilities	\$ 17,718,400	\$ 23,300	\$ 23,300
Cash dividends	\$ -	\$ -	\$ -

\* The 2009 comparative are reported under Canadian GAAP in effect at the time.

\*\* Amounts reflect both net loss before discontinued operations and extraordinary items and net loss as the Company did not have any discontinued operations or extraordinary items during the periods presented.

\*\*\* Amounts reflect both loss per share – basic and diluted before discontinued operations and extraordinary items and net loss per share – basic and diluted as the Company did not have any discontinued operations or extraordinary items during the periods presented.

## Selected Quarterly Financial Information

(Expressed in US Dollars)

For the three months ended

March 31,

	2012	2011	2010
<b>Revenues</b>			
Lease revenue	\$ -	\$ 5,800	\$ 6,800
Wages and benefits	441,200	205,400	170,900
Exploration	258,000	-	-
Mine property holding costs	173,500	132,400	81,500
Professional & contract services	118,700	69,100	54,600
Office & administrative	98,100	69,900	75,600
Travel & entertainment	56,300	35,600	9,600
Share-based payments	56,000	700	28,100
Rent & electricity	26,300	24,100	15,900
Depreciation	26,300	13,800	16,600
Feasibility study	13,200	126,800	259,500
Loss (gain) on foreign exchange	300	(100)	400
	1,267,900	677,700	712,700
<b>Loss from operations</b>	(1,267,900)	(671,900)	(705,900)
Interest income	1,000	200	300
Interest expense	-	(198,600)	(142,400)
Change in fair value of warrant derivative	-	189,000	216,600
Mark to market adjustment RMB facility	(5,086,600)	-	-
	(5,085,600)	(9,400)	(74,500)
<b>Net loss and comprehensive loss for the period</b>	\$ (6,353,500)	\$ (681,300)	\$ (631,400)
<b>Basic and diluted loss per share</b>	\$ (0.06)	\$ (0.01)	\$ (0.01)

## Summary of Quarterly Results, Q2 2010-Q1 2011

Expressed In \$	March 2012	December 2011	September 2011	June 2011	March 2011	December 2010	September 2010	June 2010
Operating revenues	-	1,000	6,600	5,800	<b>5,800</b>	5,000	14,300	6,000
Net loss	<b>(6,353,500)</b>	(504,700)	(9,016,500)	(220,800)	<b>(681,300)</b>	(1,786,700)	(1,373,000)	(842,300)
Loss per share	<b>(0.06)</b>	(0.00)	(0.09)	(0.00)	<b>(0.01)</b>	(0.02)	(0.01)	(0.01)

Diluted and non diluted loss per share are equivalent.

## Results of Operations Three Months Ended March 31, 2012 and 2011

Sutter's net loss for the three months ended March 31, 2012 was \$6,353,500 or \$0.06 per common share compared with a net loss of \$681,300 or \$0.01 per share during the same period in 2011. The major reason for the increased loss was the addition of the new RMBAH gold facility. This new facility was agreed to in June, 2011 and settled the existing debt from 2010. The Company has designated the facility as a financial liability at fair value through profit or loss as permitted by IAS 39 *Financial Instruments: Recognition and Measurement*. As a result, the Company recorded mark to market losses on this debt of \$5,086,600 during the three months ended March 31, 2012. The mark to market losses are the difference between the spot price of repayable gold ounces as at March 31, 2012 and the aggregate of the agreed upfront payment price of \$377 per ounce plus the delivery price of \$942 per ounce. There was no such adjustment during the three months ended March 31, 2011 for the old loan facility as it was not designated as a financial liability at fair value through profit or loss. The Company had no gains on the changes in the fair value of warrant derivatives during three months ended March 31, 2012 as compared to a gain of \$189,000 during the same period in 2011. This reduction in gain is due to all the warrants expiring or being exercised in 2011. Interest expense for the three months ended March 31, 2012 totaled \$0 compared to \$198,600 for the same period in 2011. This reduction of interest expense was due to the payoff of the balance on the short term loan facility in the third quarter of 2011.

Operating costs and expenses for the three months ended March 31, 2012 and 2011 were \$1,267,900 and \$677,700, respectively. Wages and benefits were \$441,200 for the three months ended March 31, 2012 due to additional employees hired during the second half of 2011 compared with \$205,400 for the three months ended March 31, 2011. The Company incurred exploration costs of \$258,000 during the three months ended March 31, 2012 due to the Company's drilling program at the Lincoln and Comet segments of the Lincoln Mine project. Costs incurred for mine and property holdings were \$173,500, compared with \$132,400 for the comparable period in 2011, due to the increased activity for environmental and permitting and preparing the site for development of the mine including environmental testing and compliance. Professional and contract services were \$118,700 for the three months ended March 31, 2012, compared with \$69,100 for the same period in 2011, due to increased investor relation activities and legal and information technology services. Share-based compensation was \$56,000 the three months ended March 31, 2012, due to the issuance of stock options to new and existing employees and directors in the second half of 2011, compared with \$700 during the three months ended March 31, 2011. Offsetting these increases was a decrease in feasibility costs due to the completion and release of the Company's technical report late in the first quarter of 2011. Feasibility study costs were \$13,200 and \$126,800 for the three months ended March 31, 2012 and 2011, respectively.

The changes quarter over quarter are due to the Company's mine development and not seasonality.

## Liquidity and Capital Resources

The following table summarizes the Company's operating, investing and financing cash flow activity for the three months ended March 31, 2012, 2011, and 2010:

	For the three months ended		
	March 31,		
	2012	2011	2010
Cash used in operating activities	\$962,900	\$752,800	\$678,900
Cash used in investing activities	\$1,365,800	\$48,400	\$27,300
Cash provided by financing activities	\$2,263,000	\$739,600	\$492,500

The following table summarizes the Company's working capital surplus (deficiency) and cash and cash equivalent balances as at March 31, 2012 and December 31, 2011:

	As at	As at
	March 31,	December 31,
	2012	2011
Working capital (deficiency) surplus	\$ (2,568,400)	\$ 1,261,200
Cash and cash equivalents	\$ 3,932,800	\$ 3,998,500

The following are the contractual maturities of the Company's financial liabilities as at March 31, 2012:

	Carrying Amount	Contractual cash flows	1 year or less	2-5 years	More than 5 years
Accounts payable and accrued liabilities	\$ 707,000	\$ 707,000	\$ 707,000	\$ -	\$ -
Leases payable	\$ 67,000	\$ 67,000	\$ -	\$ -	\$ 67,000
Note payable	\$ 14,129,900	\$ 14,129,900	\$ 3,089,000	\$ 11,040,900	\$ -
Reclamation liability	\$ 23,300	\$ 23,300	\$ -	\$ -	\$ 23,300
Mineral leases	\$ -	\$ 454,600	\$ 21,600	\$ 117,600	\$ 315,400

At March 31, 2012, Sutter had a working capital deficiency of \$2,568,400, compared with a working capital surplus of \$1,261,200 at December 31, 2011. The main cause of the decrease in working capital is the Company's current portion of note payable and the related mark to market losses. As at March 31, 2012 and December 31, 2011, the Company had drawn \$14,129,900 and \$11,866,900, respectively, on the RMBAH Facility and had recorded cumulative mark to market losses of \$12,880,900 and \$7,794,300, respectively. Due to the increased debt balances, the Company's current portion of the facility increased from \$1,966,100 as at December 31, 2011 to \$5,905,000 as at March 31, 2012. Cash totaled \$3,932,800 at March 31, 2012, compared with \$3,998,500 at December 31, 2011. The decrease in cash is due to expenses related to the development of the Lincoln Mine Project. Offsetting the cash decrease from the Lincoln Mine Project expenses was the additional \$2,263,000 drawn down from the RMBAH during the three months ended March 31, 2012. During the three months ended March 31, 2012 and 2011, the Company spent \$962,900 and \$752,800 on operating activities. The increase in cash used in operating expenses in 2012 is due to the Company's increased net loss net of the mark to market adjustment. Cash used in investing activities for the three months ended March 31, 2012 and 2011 was \$1,365,800 and \$48,400, respectively. The increase in 2012 is due to the Company's construction of the Lincoln Mine Project which commenced in the second quarter of 2011. The Company's cash provided by financing activities increased \$2,263,000 from \$739,600 during the three months ended March 31, 2012 as compared to the same period in 2011 due to the Company's borrowings on the RMBAH Facility to continue to fund the construction of the Lincoln Mine Project. .

In June 2011, the Company entered into an agreement with RMB Australia Holdings Limited ("RMBAH") to help fund the cost of developing the Lincoln Mine project. RMBAH is related to the Company's largest shareholder RMB Resources Ltd ("RMB") as both companies are subsidiaries of the FirstRand Group. The RMBAH Facility is a

secured prepaid gold loan in the amount of \$20 million. The Company commenced drawing down the loan in July 2011 and as at March 31, 2012, had drawn down \$14,129,900. Approximately \$6.6 million of the drawdowns to date were used to repay a prior RMBAH short-term loan facility in July 2011. (Refer to Note 9 of the Company's unaudited condensed interim consolidated financial statements for the amount of interest and financing fees paid in respect to this Loan Facility during the three months ended March 31, 2012 and 2011.) The remainder of the loan is being applied to the ongoing cost of the development and construction of the Lincoln Mine Project.

The Company intends to draw down the remainder of the facility during the construction and development of the Lincoln Mine Project. Repayment of the RMBAH Facility is required to begin at the end of July 2012, the 13th month from the first month of the draw down. Under the agreement, the Company will deliver to the lender approximately 50% of the project's estimated monthly gold production subject to a minimum of 900 ounces per month. Total gold production deliverable to RMBAH is limited to 53,027 ounces. The Company has the option of pre-delivering against the facility at its discretion. For the gold delivered as repayment of the prepaid gold facility, the Company will receive \$942 per ounce, and it will receive market price for the remainder of the gold sold.

During the three months ended March 31, 2012, the Company recorded a mark to market loss on the RMBAH Facility of \$5,086,600. The mark to market is calculated as the difference between the spot price of repayable gold ounces (31,463 ounces at \$1,566 per ounce) as at March 31, 2012 and the aggregate of the agreed upfront payment price of \$377 per ounce plus the delivery price of \$942 per ounce (\$1,319 per ounce). There was no such adjustment during the three months ended March 31, 2011 as the facility was obtained in June 2011.

The Company intends to raise additional funds through either additional debt financing, the sale of equity investments or attracting an industry partner to provide additional capital to complete mill construction and mine development in anticipation of putting the mine into production. On April 25, 2012, the Company announced a non-brokered private placement for aggregate gross proceeds of up to \$15 million comprised of up to 42,857,142 common shares at a price of \$0.35 per common share. However, there is no assurance that the financing will be completed as announced.

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preference shares without par value. As at March 31, 2012 and December 31, 2011 the Company's common share capital was \$26,017,900 and had 117,517,098 common shares issued and outstanding. Of the shares issued and outstanding as at March 31, 2012 and December 31, 2011, 718,352 shares were allotted to the Company's former shareholders who tender their shares in the future. On a diluted basis, as at March 31, 2012 and December 31, 2011, the Company had 123,594,511 shares issued and outstanding. As at March 31, 2012 and December 31, 2011, the Company also had 254,414 preference shares outstanding, valued at \$211,200.

There were no exercises of stock options during the three months ended March 31, 2012. During the three months ended March 31, 2011, the Company received \$6,600 in proceeds from the exercise 50,000 stock options. As at March 31, 2012 and December 31, 2011, the Company had 5,823,000 and 5,709,000 stock options outstanding at an exercise price ranging from C\$0.11 to C\$0.28 and C\$0.11 to C\$0.19 and with expiry dates ranging from June 9, 2014 to March 27, 2017 and June 9, 2014 to December 21, 2016, respectively. If all the remaining March 31, 2012 outstanding options were to be exercised, the Company's available cash would increase by C\$965,600.

During the three months ended March 31, 2012 and 2011, the Company received \$0 and \$22,300 in proceeds from the exercise of warrants. As at March 31, 2012 and December 31, 2011, the Company had no warrants outstanding.

As at March 31, 2012 and December 31, 2011, the deficit was \$52,700,600 and \$46,347,100. The increase was the result of the net loss of \$6,353,500 for the three months ended March 31, 2012.

The Company has not paid any dividends to its shareholders during the three months ended March 31, 2012 and 2011.

## Property, plant and equipment

As at March 31, 2012 and December 31, 2011, the cost of the Company's property, plant and equipment totaled \$4,533,100 and \$3,564,000 offset by accumulated depreciation of \$891,300 and \$865,000, respectively. For the three months ended March 31, 2011 and 2010, depreciation expense totaled \$26,300 and \$13,800, respectively. During the three months ended March 31, 2012 and 2011, the Company purchased \$1,365,800 and \$48,400 of property, plant and equipment, respectively. The increase in 2012 additions relates to the construction of the Lincoln Mine Project which commenced in the second quarter of 2011. Below is a summary of the Company's property, plant and equipment additions for the three months ended March 31, 2012 and 2011.

	Land Improvements	Buildings	Equipment and Vehicles	Project Labor	Total
<b>Cost</b>					
Balance at December 31, 2010	\$175,100	\$343,700	\$763,100	\$ -	\$1,281,900
Additions	19,000	-	29,400	-	48,400
Reclassifications	16,100	(16,100)	-	-	-
Balance at March 31, 2011	210,200	327,600	792,500	-	1,330,300
Balance at December 31, 2011	737,500	479,100	1,587,600	759,800	3,564,000
Additions	75,600	72,200	374,600	446,700	969,100
Reclassifications	157,700	-	(157,700)	-	-
Balance at March 31, 2012	\$970,800	\$551,300	\$1,804,500	\$ 1,206,500	\$4,533,100

## Reclamation Bond

Future reclamation and mine closure costs will be the responsibility of the Company and are based on legal and regulatory requirements. The laws and regulations are continually changing and are generally becoming more restrictive. The Company believes it is in compliance with applicable laws and regulations and expects to make future expenditures to comply with these laws and regulations. Current estimated reclamation obligations of \$23,300 are secured by a \$27,000 reclamation bond as at March 31, 2012 and December 31, 2011.

## Transactions with Related Parties

During the three months ended March 31, 2012 and 2011 the Company paid interest of \$0 and \$106,300, respectively, related to the Loan Facility as outlined in Note 9 in the Company's unaudited condensed interim consolidated financial statements.

The remuneration of key management personnel of the Company for the three months ended March 31, 2012 and 2011 was as follows:

	For the three months ended March 31,	
	2012	2011
Short-term employee compensation and benefits	\$ 232,500	\$ 133,800
Share based compensation	36,000	-
	<u>\$ 268,500</u>	<u>\$ 133,800</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consist of the Company's directors, the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

## Significant Accounting Judgments and Estimates

The preparation of the Company's unaudited condensed interim consolidated financial statements required management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if the revision affects both current and future periods. These estimates are based upon historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. The application of determining the useful lives of property, plant and equipment are estimates by management based on assumptions about future events. Estimates and assumptions made may change if new information becomes available. New information may become available during the use of the equipment that causes the Company to adjust its estimate.
- ii. The Company uses the Black Scholes pricing model to estimate the fair value of stock options granted and warrants issued. Option pricing models require the input of subjective assumptions including the expected price volatility, interest rates and expected life of the option or warrant granted. Changes in the input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide an accurate single measure of the actual fair value of the Company's stock options granted and warrants.
- iii. The determination of the ability of the Company to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and to make assumptions about the future performance of the Company. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

## Off-Balance Sheet Arrangements

The Company had no off balance sheet arrangements as at March 31, 2012 and December 31, 2011.

## Financial Instruments

The Company's financial instruments consist of cash and cash equivalents and a note payable. The Company is not exposed to significant interest, currency, or credit risk arising from its financial instruments. All the Company's funds are held in accounts at major banks in Canada and the United States. As discussed previously, the Company has designated the note payable as a financial liability at fair value through profit or loss as permitted by IAS 39 *Financial Instruments: Recognition and Measurement*. As a result the Company records a mark-to-market adjustment on the facility as fluctuations in gold prices occur. Therefore the Company is exposed to commodity price risk related to the mark to market gains or losses on the note payable. The Company has accepted this risk and has not tried to mitigate the risk.

The Company's financial instruments and respective fair values as at March 31, 2012 and December 31, 2011 are as follows:

	Carrying amount	Fair value	Carrying amount	Fair value
	As at March 31, 2012		As at December 31, 2011	
Cash and cash equivalents	\$ 3,932,800	\$ 3,932,800	\$ 3,998,500	\$ 3,998,500
Note payable and mark-to-market adjustment	\$ 27,010,800	\$27,010,800	\$ 19,661,200	\$19,661,200
Unrecognized (losses)/gains		\$ -		\$ -

### Outstanding share data

The Company has authorized an unlimited number of common shares, with no par value, of which 117,517,098 shares are issued and outstanding as at May 23, 2012. In addition, as at May 23, 2012 the Company has 254,414 Series 1 Convertible Redeemable Preference shares that are convertible at any time by the holder into common shares of the Company on a one for one basis and are redeemable at any time by the Company at a price of C\$1 for each share redeemed.

#### Share Purchase Warrants:

As at May 23, 2012 the Company had no share purchase warrants issued and outstanding.

#### Stock Options:

As at May 23, 2012, 5,913,000 stock options were outstanding under the Company's stock option plan for employees, directors, officers and consultants of the Company.

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable at March 31, 2012:

Outstanding					Exercisable		
Exercise Price C\$	Options Outstanding	Expiry date	Weighted Average Remaining Life (years)	Weighted Average Exercise Price C\$	Options Exercisable	Weighted Average Exercise Price C\$	
\$0.11	900,000	June 9, 2014	2.19	\$0.11	900,000	\$0.11	
\$0.11	500,000	September 7, 2014	2.44	\$0.11	500,000	\$0.11	
\$0.11	500,000	September 14, 2014	2.46	\$0.11	500,000	\$0.11	
\$0.13	50,000	December 1, 2014	2.67	\$0.13	50,000	\$0.13	
\$0.22	75,000	February 16, 2016	3.88	\$0.22	50,000	\$0.22	
\$0.19	300,000	May 1, 2016	4.09	\$0.19	100,000	\$0.19	
\$0.18	24,000	June 1, 2016	4.17	\$0.18	8,000	\$0.18	
\$0.18	1,500,000	July 19, 2011	4.30	\$0.18	1,500,000	\$0.18	
\$0.25	240,000	August 1, 2016	4.34	\$0.25	80,000	\$0.25	
\$0.20	1,500,000	November 1, 2016	4.59	\$0.20	750,000	\$0.20	
\$0.20	60,000	November 11, 2016	4.62	\$0.20	20,000	\$0.20	
\$0.19	60,000	December 21, 2016	4.73	\$0.19	20,000	\$0.19	
\$0.20	69,000	January 3, 2017	4.76	\$0.20	23,000	\$0.20	
\$0.28	45,000	March 27, 2017	4.99	\$0.28	15,000	\$0.28	
	5,823,000				4,516,000		

## **Subsequent Events**

The following event occurred subsequent to March 31, 2012:

On April 25, 2012, the Company announced a non-brokered private placement for aggregate gross proceeds of up to \$15 million comprised of up to 42,857,142 common shares at a price of \$0.35 per common share.

## **Proposed Transactions**

Management periodically enters into informal discussions with prospective business partners in the normal course of business. However management does not believe that any of these discussions constitute proposed transactions for the purpose of this report.

## **Company History and Mineral Properties**

The Company was incorporated in the Province of British Columbia on June 7, 1990. Effective December 29, 2004, the Company completed a reverse take-over ("RTO") by acquiring Sutter Gold Mining Company ("SGMC") of Riverton, Wyoming.

Approximately 98.4% of SGMC's shareholders tendered their shares for 43,871,015 common shares of the Company as at March 31, 2012 and December 31, 2011. The Company has allotted another 718,352 common shares for the other 1.6% of SGMC's shareholders to tender their shares in the future.

On June 12, 2008, RMB Resources Ltd. ("RMB"), a trustee for the Telluride Investment Trust, entered into a private agreement to purchase an aggregate of 39,062,072 (49.9%) common shares of the Company from U.S. Energy Corp. ("USE") for an aggregate purchase price of approximately C\$5,400,000, in accordance with the terms of a share purchase agreement and subject to certain closing conditions. On August 22, 2008, RMB completed the acquisition. As at March 31, 2012 and December 31, 2011, RMB owned 58,216,820 (49.57%), of the outstanding common shares of the Company.

The Company's principal business activity is the development and consolidation of mineral properties in California and, through a joint venture agreement, exploring mineral properties in Mexico.

Upon the change of ownership and appointment of new management, corporate offices were relocated to Lakewood, Colorado and independent accounting, financial, communications, payroll and benefits, insurance, and investor relations systems were established that supports the Company's administration, exploration, mine development, and operational activities. Dr. Leanne Baker was appointed President and CEO effective November 1, 2011.

### *Sutter Gold Mine and Lincoln Project, California*

The PEA, completed by the independent engineering firm, Mine Development Associates ("MDA") of Reno, NV, USA, indicates positive economic potential for the Lincoln-Comet portion of Sutter's Lincoln Mine Project ("Project") resources. MDA considered an updated indicated and inferred resource of 210,300 tons grading 0.573 ounces per ton ("opt") or 19.6 grams/tonne ("g/t") at a 0.22opt (7.5 g/t) cutoff grade containing 120,000 ounces of gold.

Sutter staff and its consultants completed a comprehensive mine design for the Lincoln-Comet deposit utilizing Gemcom Surpac software and the block model resource created by MDA. The narrow-vein nature of the resource dictates the higher cost, but historically proven mining method of cut and fill stoping utilizing jackleg and stoper drills, electric and/or pneumatic slushers supplemented by modern rubber tire load-haul-dump machines and underground haul trucks. Mine levels are designed at 100 foot vertical spacing. Primary access exists through the modern 15 foot wide x 12 foot high Stringbean Alley decline. Secondary access is designed as an 8 foot wide x 8 foot high decline to the 1200 foot level (1200 feet above mean sea level) and an 8 foot wide x 8 foot high decline to the 1300 level. Stope panels are nominally 100 feet long x 100 feet high. All in-vein development is designed at a 3 foot minimum width. Material blasted and slushed in the stopes can be delivered, via muck passes to levels where the rubber tire equipment can transfer it to chutes accessed by the Stringbean Alley decline. Underground haul trucks deliver the material to a new mill facility located at the surface. Mining and haulage costs are estimated at \$207 per

ton of processed material. Mining dilution was estimated at 20% of zero grade waste with an additional dilution of 9.3% of material grading 0.20 opt. Ore loss was estimated at 10%. Utilizing a base gold price of \$1,100 per ounce and a five-year mine life, the PEA evaluated an initial high-grade scenario for the extraction of the resource at a 0.22 opt cutoff, mining an average of 22,300 ounces per year. A pre-tax cash-flow evaluation indicates an internal rate of return ("IRR") of 20.5% while the net present value at a 5% discount is \$8,027,100.

Utilizing the extensive metallurgical data that exists for the deposit, with emphasis on the lock-cycle test work completed by McClelland Labs in 2009, Paul E. Danio and Associates, LLC completed a metallurgical process flowsheet and mill design. The process flowsheet for the Lincoln-Comet vein system material begins with crushing run-of-mine material stored in bins at the new mill facility to minus 1.5 inches. Crushed material would be conveyed to a fine-ore bin which feeds a rod mill operated in closed circuit. A centrifugal bowl gravity unit would produce a concentrate to be tabled and fused into doré. Conventional flotation utilizing non-toxic reagents would produce a flotation concentrate to be shipped offsite for final processing. Tailings would be dewatered and returned to the stopes as backfill or emplaced at the permitted Surface Fill Unit. Processing costs are estimated at \$42 per ton of material. Recovery is estimated at 96% total, with 70% reporting to gravity concentrate and 26% reporting to flotation concentrate.

The completed National Instrument 43-101 compliant technical report, which includes the Preliminary Economic Assessment from Mine Development Associates of Reno, Nevada, USA was filed on SEDAR and is available on the Company's website.

Approval of the Board of Directors was granted to implement the recommendations provided by the technical report and to source funding for the development of the Lincoln Mine Project. Sutter will continue to progress the Lincoln Mine Project as planned, having acquired initial financing, which should fund approximately 70% of total project, in the form of a Gold Facility (see Page 9, below) from its primary lender, RMB Australia Holdings Limited.

In Q3 of 2011, the Company initiated the development of the Lincoln Mine Project pursuant to the recommendations of the NI 43-101 technical study. The construction of the milling facility is underway, with D.G. Granade, Inc. of Shingle Springs, California acting as the General Contractor. Mammoth Mine Services of Blackhawk, Colorado, is rebuilding the belt feeders and flotation cells. The Company has received previously purchased equipment, including air compressors, rod and ball mills, and crushing equipment at its facility in Amador County, where additional refurbishment has begun. Cisco Air Systems of Sacramento, California has completed evaluation and rebuild of two (2) of the Company's four (4) air compressor units. The remaining units are scheduled for rebuild in Q2/Q3 of 2012. Additional milling equipment is being sourced and purchased as necessary. Mark A. Suden Mining Construction of Pine Grove, California has been issued a letter of intent to contract for the underground mine development work. Mr. Suden's company provided ground support installation for the mill building excavation and has participated with SGM staff in the training of mine rescue teams. All necessary training, escape and evacuation, ventilation, emergency management and fire fighting plans have been submitted to the Mine Safety and Health Administration (MSHA) for approval. Remaining agency compliance is underway. The Company anticipates the production of gold to begin in Q4 of 2012.

The Lincoln Project is subject to local, state and federal permitting requirements administered by numerous governmental agencies. The Amador County Board of Supervisors issued a mining permit for the Lincoln Project in 1993. In 1998, the permit was modified to allow for mill tailings to be placed in a surface fill unit negating the expense and necessity of a conventional tailings pond facility. The Lincoln Project requires five major operating permits and approvals and numerous other lesser or minor operating permits and approvals. The Company has obtained all five major operating permits. In addition, the Company has obtained all minor operating permits and approvals for the project components constructed to date. The Company continues to implement a strategic and systematic plan, focusing on critical permitting activities necessary to obtain the remaining permits and to bring the mine into production. The Company is preparing current operating parameters for the 1998 mining permit that will reflect advances in technology, reduced operating tonnages and more efficient and economical operating constraints than already allowed under the Project's existing Conditional Use Permit that includes a 1,000 ton per day mine and mill with cyanide circuit.

The Company's approach includes obtaining the remaining permits, including permit revisions or amendments required for an environmentally friendly, smaller-scale operation and concentrate production. Remaining permitting activities needed to bring the Project to production, which will include the use of consultants, and that are expected to be completed in 2012 include the following permitting activities: Wetlands (and related permits); Conditional Use Permit Amendment (if necessary); Amend WDR Order 99-035; Encroachment Permits; Stormwater Permit; Road Maintenance Agreements; Storage Statement; and Amend Diesel Engine Permit.

### California Properties

On May 3, 2007, the Company settled a Contingent Stock Purchase Warrant liability with U.S. Energy Corp. by the issuance of a Net Profits Interest royalty ("NPIR") of 5% until an amount of \$4.6 million is repaid, and granting a 1% NPIR thereafter. NPIR is defined as the price received from the sale of gold or other mineralized product that is mined, saved and sold, less mining, milling, processing or refining and transportation costs and allowable taxes and royalties. No amounts have been accrued as a liability as at March 31, 2012 and December 31, 2011 as there was no present obligation.

### Lincoln and Comet Properties

The Sutter Gold Project has been the subject of considerable modern exploration activity, most of it centering on the Lincoln and Comet zones which are adjacent along strike. A total of 101,385 feet of drilling has been completed in 230 diamond drill holes, and modern underground development consists of a 2,850-foot declined ramp with 1,575 feet of horizontal crosscuts, 1,275 feet of horizontal ore development and 250 feet of vertical raise development.

From 2001 to the end of 2003, the Company renegotiated the principal mineral leases on 205 acres. The new lease terms are 30 years, broken down into ten year segments carrying a 4% production royalty or minimum annual payments as follows for the Lincoln and Comet property. An additional 0.5% net smelter return royalty is held by a consultant to a lessee prior to the acquisition of the properties and covers the same properties in the Lincoln Project. All payments have been made up to date.

<u>Years</u>	<u>Annual Payments</u>	
	<u>Lincoln</u>	<u>Comet</u>
1-10	\$ 1,200	\$ 2,400
11-20	\$ 2,400	\$ 4,800
21-30	\$ 3,600	\$ 7,200
31-40 (10 year option)	\$ 4,800	\$ 9,600
41-Thereafter (annual option)	\$ 4,800	\$ 9,600

In January 2012 Sutter began an exploration drilling program to expand resources at the Lincoln and Comet segments of the Lincoln Mine Project. To date 12 angled diamond drill holes from the program have been completed. Partial assay results received to date for the first four drill holes, which were drilled at the southern or Lincoln segment, confirmed the following: 1) Gold mineralization extends upwards close to the surface, 2) The first drill hole, DDH-196, intersected a vein with indicated true width of 30.5 feet grading 0.121 oz./ton (weighted average) Au including 3.9 feet true width at 0.329 oz./ton Au, 3) The second drill hole, DDH-197, intersected a veined zone of 21.1 feet true width with an average grade of 0.328 oz./ton Au, including 7.1 feet true width grading 0.456 oz./ton Au, 4) The third drill hole, DDH-198, intersected 3.0 feet grading 2.96 oz./ton Au, and 5) The fourth drill hole DDH-199, intersected a veined zone of 3.0 feet true thickness with a grade of 1.067 oz./ton Au. The remaining drill holes intersected various vein zones with anomalous gold grades.

### Eureka Mines

On January 21, 2005, the Company entered into a lease agreement to acquire 132 acres of land immediately adjacent to the Company's properties in California, called the Eureka Property. The lease term is 30 years, broken down into ten year segments carrying a 4% production royalty or a minimum annual payment. As of December 31, 2008, 12,000 common shares were issued to the Eureka Property's owner for the first year's payment and the second through fourth years' payments have been made up to date.

<u>Years</u>	<u>Annual Payments</u>
1-10	\$ 2,400
11-20	\$ 3,600
21-30	\$ 4,800
31-40 (10 year option)	\$ 6,000
41-Thereafter (annual option)	\$ 6,000

### Keystone Property

Effective August 1, 2003, the Company entered into a lease ("Third Amendment to Mining Lease and Option") with Keystone Mining Corporation. The lease covers certain properties at the Sutter Gold Project and requires payments of \$5,000 per year for the first 10 years of the lease. A royalty of 5% of the net profits on production exists on these properties. The "net profits" will be determined by subtracting from gross mineral revenues an amount equal to 105% of numerous categories of costs and expenses. All payments have been made up to date.

### Cecchetti Trust

Effective May 20, 2009, the Company entered into a Mineral Lease Agreement with the Cecchetti Trust. The lease covers 162 acres adjoining and contiguous with existing Sutter Gold Properties and requires annual base lease payments of \$5,000 for the first 10 years of the lease. A Production Royalty of 4% of saleable Product produced on these leases will be paid during mining operations. The payments have been made and are up to date.

### Ecuador Property - NSR Interest, Portovelo, Ecuador

The Company had an 100% interest in three concessions located in the Portovelo region of southern Ecuador, subject to a 2% net smelter return royalty ("NSR") which was capped at a maximum of \$1.0 million on each of two of the concessions. In March 2006, the title of the property was transferred to Dynasty Metals & Mining Inc. ("Dynasty") for 30,000 of Dynasty's common shares which were received by the Company at a deemed value of \$20,100 and were sold in fiscal 2006. The Company retains a 2% NSR royalty on the properties, 50% of which may be purchased from the Company for C\$500,000.

### Mexican Property Baja California, Mexico

On October 26, 2006, the Company entered into an Exclusive Option Agreement with The Alamo Group to acquire a 100% interest (less royalty provisions) in the Santa Teresa mineral concession located in the historic El Alamo gold mining district southeast of Ensenada, Mexico for a maximum of C\$500,000 in payments and a minimum of C\$100,000 in work commitments. Required cash payments have been reduced to C\$280,000 based on the total amount of work commitments completed.

The Company made an initial payment of \$13,300 (C\$15,000) on signing the Exclusive Option Agreement and issued 111,111 of its shares at a price of C\$0.36 on signing the Definitive Agreement on February 7, 2007.

The Alamo Group will retain a 3% net smelter royalty if gold is selling for C\$650/ounce or greater and 1.5% if gold is selling for less than C\$650/ounce. The Company has the right to purchase one half of the net smelter royalty for C\$1 after The Alamo Group has received C\$2,000,000 in royalties from commercial operations on the concession.

On March 29, 2007, the Company signed a letter of intent with Premier to jointly explore the Company's Santa Teresa mineral concession. Premier is to earn an initial 50% interest in the project by issuing 100,000 common shares (received) to the Company, completing \$1.5 million in exploration and acquisition within two years and reimbursing

the Company for all option payments (C\$500,000, C\$180,000 reimbursed to report date) due to the vendor over four years. Premier can earn an additional 15% interest in the property (to a 65% interest) by paying a further \$500,000 to the Company and conducting an additional \$4.0 million in exploration on the property.

In January 2008, Premier began the initial 32-hole Phase One drill program at the Santa Teresa Concession in Baja California, Mexico and completed all 32 drill holes by late October 2008 for a total of 7,000 meters (22,800 feet) in the historic and high grade El Alamo District. Drilling results have confirmed the following; 1) Drilling has discovered multiple high-grade veins up to 260 meters along strike from the historic Princessa Gold Mine, whose average production grade exceeded one ounce per ton, 2) Results include multiple intercepts in excess of 34 grams per tonne (about 1.0 ounce per ton) gold between one and three meters within the Princessa structure, 3) Twenty-three significant intercepts with length-weighted average in excess of 35 grams per tonne, and 4) Structures remain open in all directions.

For more information on the drill results, please refer to the news releases available on [www.sedar.com](http://www.sedar.com).

During the summer of 2008, surface reconnaissance and prospecting confirmed the presence of intense surface alteration blooms coincident with high-grade vein intercepts at depth, and identified several new conceptual drill targets located throughout the Santa Teresa Concession.

In June 2008, Premier announced that it had completed a transaction with Compania Minera Quasaro S.A. de C.V. to purchase the La Victoria Concession for the joint venture. The La Victoria Concession is land-locked within the Santa Teresa Concession and the veins that have been explored in the Phase I program may extend along strike into La Victoria.

The Company has completed its obligations under the option agreement. The Alamo Group has provided written confirmation that the terms of the lease option have been met. The Company continues to work with Premier towards realizing value from this asset.

## **Risks and Uncertainties**

Due to risks and uncertainties, including the risks and uncertainties identified below and elsewhere in this MD&A and the related unaudited condensed interim consolidated financial statements, actual events may differ materially from current expectations.

By its very nature, mineral exploration and development involves a high degree of risk, and considerable expenditures are required to substantiate the commercial viability of a mineral property and then to develop it to profitable production. The Company competes with larger and better financed companies for exploration personnel, contractors and equipment. Increased exploration activity has increased demand for capital, equipment and services. There can be no assurance that the Company can obtain the required capital, equipment and services in a timely or cost effective manner.

The success of the Company will depend on numerous factors, including general economic factors; the obtainment of certain approvals; the availability of development and construction capital; the spot price of gold; preparation and execution of an underground development and mining plan which produces the amounts and grades of ore targeted by the plan; construction of a mill which recovers the percentages of gold estimated by the Company; ongoing delineation of sufficient ore reserves in addition to current estimates to sustain mining operations; absence of delays due to unanticipated underground engineering or production problems, and other factors such as environmental, permitting and other site preparation delays. There is no assurance of favorable determinations of such factors. An unfavorable determination of any one of such factors could significantly delay operations and impair the chances of success for the Company.

All of the Company's short to medium term operating and exploration expenses must be derived from external financing sources. Actual funding requirements may vary from what is planned due to a number of factors including

the progress of exploration and development on its current properties. Should changes in equity market conditions, including interest rates, prevent the Company from obtaining additional external financing on economic viable terms; the Company will need to review its mineral property holdings to prioritize project expenditures based on funding availability.

The Company is exposed to price risk with respect to commodity and equity prices. Adverse commodity prices could affect the viability of the mineral property projects or affect the completion of future equity transactions. Adverse movements in the stock market or in individual equity prices could affect equity offerings and the exercise of stock options.

The Company's operations in the United States and financing activities in Canada make it subject to foreign currency fluctuations and such fluctuations may materially affect its financial position and results.

### **Internal Controls Over Financial Reporting**

In connection with the National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company filed a Venture Issuer Basic Certificate with respect to the financial information contained within the unaudited condensed interim consolidated financial statements and the audited consolidated annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal controls over financial reporting, as defined in NI 52-109.

### **Forward Looking Statements**

This report includes forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward looking statements are usually identified by our use of certain terminology or phrases, including "will", "believes", "may", "expects", "should", "seeks", "anticipates", "intends" and similar terms, or by discussions of strategy or intentions. Forward-looking statements are statements that are not historical facts, and include but are not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Forward-looking statements are based upon the beliefs, opinions and estimates of management at the date the statements are made and current expectations at that date. Consequently, as they are used in this MD&A, they are subject to various risks, uncertainties, and unknown factors most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those expected, estimated or projected. Forward looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements. Further, the Company disclaims any obligation or intention to update or to revise any forward-looking statement, whether as a result of new information, of future events, or otherwise except as may be required under applicable securities legislation.

### **Additional Information**

The Company's web site address is [www.suttergoldmining.com](http://www.suttergoldmining.com). A copy of this MD&A, the unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2012, the audited consolidated financial

statements for the years ended December 31, 2011 and 2010 and related MD&A and other information and public filings are available on the Company's web site or on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company is listed on the TSX Venture Exchange with the trading symbol "SGM" and also trades on the OTCQX, the top tier of the US Over-the-Counter ("OTC") market under the symbol SGMNF.

### **Disclaimer**

The information contained within this discussion, by its very nature, is not a thorough summary of all matters and developments concerning Sutter Gold Mining Inc. The information herein is not a substitute for a detailed investigation or an analysis of any issue related to the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR and on the Company's website. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein. Further, certain data included in this document may be historical in nature. Consequently, they not have been verified by the Company's technical staff, and therefore they should not be relied upon.