SUTTER GOLD MINING INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED MARCH 31, 2011
CONTAINING INFORMATION UP TO AND INCLUDING JUNE 14, 2011

The following discussion and analysis is management's assessment of the results and financial condition of Sutter Gold Mining, Inc., ("the Company") for the quarter ended March 31, 2011. The reader is encouraged to review the Company's statutory filings on www.sedar.com and on the Company's website www.suttergoldmining.com.

All currency amounts are expressed in US dollars unless otherwise noted.

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 CIM Definitions for Mineral Resources, and are compliant with NI43-101, Standards of Disclosure for Mineral Projects.

Business Overview

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 97% of SGMC's shareholders tendered their shares for 43,382,632 common shares of the Company as of March 31, 2011. The Company has allotted another 1,190,935 common shares for the other 3% 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 of March 31, 2011, RMB owned 51,832,120 (49.2%) 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.

Mining Claims and Feasibility Expenditures

	December 31, 2010	Net Additions/ IFRS write-off	March 31, 2011
Lincoln & Comet Project			
Drilling and underground development	$ 806,300	$ (806,300)	$ -
Feasibility study	1,982,500	126,700	2,109,200

Total Expenditures	$ 2,788,800	$ (679,600)	$ 2,109,200

Sutter Gold Mine and Lincoln Project

The Company's wholly owned subsidiary SGMC owns the Sutter Gold Mine and Lincoln Project that are located in the historic Mother Lode District east 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 45 miles east-southeast of Sacramento, California, in the central part of the 121-mile-long Mother Lode gold belt. SGMC's property lies within a 10-mile section of the Mother Lode belt which is credited with production of 7.8 million ounces of gold. SGMC's property had a recorded production of appoximately 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.

A 2008 Mineral Resource estimate for the Sutter Gold Project was completed by Sutter Gold Mining Inc. consulting geologist and Independent Qualified Person Mark Payne, P.Geo. Calif. #7076, and published with all support data as a Technical Report, filed at the website www.sedar.com. Resources were defined according to CIM Definitions for Mineral Resources, and are compliant with NI43-101, Standards of Disclosure for Mineral Projects. The summary of the updated Indicated and Inferred Resources for the Lincoln Project is available in the February 13, 2008 news release.

Several mineralized zones in both the Lincoln-Comet and Keystone areas remain open down plunge to the southeast and to depth.

Full time employees have been added for the completion of engineering and design of underground mine plans, completing mill facility engineering, updating project cost and schedule estimates while maintaining and advancing existing permits and facilities. Key consultants have been retained and are assisting with site design, geologic modeling, metallurgical testing, material characterization, process design, equipment selection and operations planning.

Sutter Gold Mining has completed geologic modeling and mine planning for resource and economic evaluation. A detailed, mine development plan and production/grade schedule has been prepared for technical reporting as defined by NI 43-101. SGM and its consultants have finalized a Preliminary Economic Assessment ("PEA") technical report anticipated for release in Q2 of 2011. A news release describing the technical report and its completion was issued in May of 2011.

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. Details of the total Company resource estimate can be found in the National Instrument 43-101 report "Mineral Resource Estimate, Sutter Gold Project, Amador County, California, authored by Mark Payne, P Geo and filed on SEDAR on February 11, 2008. The Company notes that by NI 43-101 definition, mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Preliminary Economic Assessment 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. The initial startup capital requirement is estimated at $19.9M with working capital of $3.2M. 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 annually. Preproduction development is scheduled at nine months. Cash operating costs are estimated at $704/ounce produced. The Company strongly believes the potential for

extending the mine life beyond 5 years exists within the Lincoln-Comet resource itself excluding, additional and meaningful adjacent resources identified by Payne (2008).

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 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 will be filed on SEDAR and will be available on the Company's website.

Approval of the Board of Directors will be requested 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 permitting and engineering as planned.

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 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 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 focuses on 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 2011 include the following permitting activities: Wetlands (and related permits); Conditional Use Permit Amendment (if necessary); Authority to Construct/Permit to Operate; Amend WDR Order 99-035; Grading/Building Permits; Encroachment Permits; Stormwater Permit; Construction Stormwater Permit; Maintenance Agreements; Storage Statement; Amend Diesel Engine Permit; and Blaster's License.

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 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 type of operations and is identifying additional candidates for the team of people necessary for such an operation. SGMC continues to evaluate the potential opportunity to further consolidate mineral properties contained within the 10-mile section of the Mother Lode Trend.

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.

Years	Annual Payments	
	Lincoln	Comet
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-Thereafer (annual option)	$ 4,800	$ 9,600

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 years segment 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.

Years	Annual Payments
1-10	$ 2,400
11-20	$ 3,600
21-30	$ 4,800
31-40 (10 year option)	$ 6,000
41-Thereafer (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.

Cecchettini Trust
Effective May 20, 2009, the Company entered into a Mineral Lease Agreement with the Cecchettini 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
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
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 gram 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 gram 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.

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

In June 2008, Premier announced that it has 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.

Discussions with Premier regarding this project have identified the transfer of title to the concessions from the Alamo Group to Sutter Gold Mining as a critical path item. The Company has completed its obligations under the option agreement and is pursuing the transfer of title.

Results of Operations

Results of operations for the period ended March 31, 2011 compared to the period ended March 31, 2010

In the period ended March 31, 2011, the Company's net loss increased by $49,900 and totaled $681,300 compared to a net loss of $631,400 during the same period in 2010. Interest expense for the period ended March 31, 2011 totaled $198,600 compared to $142,400 for the same period in 2010 due to the increased balance on the loan facility.

Operating costs and expenses decreased by $34,500 and totaled $677,800 for the period ended March 31, 2011, compared to $712,300 for the same period in 2010. Contributing factors for the decrease were costs incurred for the feasibility study decreased by $132,700 and totaled $126,700 compared to $259,500 during the same period in 2010 due to this study nearing completion. Stock based compensation decreased from $28,100 for the period ended March 31, 2010 to $700 in the same period in 2010 due to the timing of stock option grants. Offsetting these decreases the Company had a $50,900 increase in mine and property holding expenses for the period ended March 31, 2011 compared to the same period in 2010, due to increased environmental and permitting activity. Salaries and wages totaling $205,400 which increased from $170,900 from the same period in 2010 due to additional employees hired early 2011. Travel and entertainment increased $26,000 in the 2011 period compaired to 2010 due to increased travel for trade shows and travel to and from the mine site. Lastly professional and contract services increased $14,500 and totaled $69,100 for the three month period ended March 31, 2011, $54,600 for the same period ended 2010, due to increased investor relations campaign and legal counsel review in preparation for getting the technical report published.

Summary of Quarterly Results

Expressed In $	**Mar 11**	Dec 10	Sep 10	Jun 10	**Mar 10**	Dec 09	Sep 09	Jun 09
Operating revenues	**5,800**	5,000	14,300	6,000	**6,800**	11,200	2,400	16,500
Net loss	**(681,300)**	(850,200)	(1,106,300)	(760,400)	**(751,700)**	(651,300)	(1,304,500)	(717,100)
Loss per share	**(0.01)**	(0.01)	(0.01)	(0.01)	**(0.00)**	(0.00)	(0.01)	(0.01)

Liquidity and Capital Resources

The Company's working capital deficiency at March 31, 2011, was $6,782,800 versus $6,046,400 working capital deficiency at December 31, 2010. Cash totaled $397,200 at March 31, 2011, a decrease of $61,600 from $458,800 at December 31, 2010.

On August 12, 2009, the Company entered into a short-term loan facility agreement ("Loan Facility ") with RMB Australia Holdings Limited. RMB Australia Holdings Limited is related to RMB (see Note 1) as both companies are members of the FirstRand Group.

The Loan Facility is denominated in US dollars and initially had a limit of $4,250,000. On August 31, 2010, the Loan Facility credit limit was increased by $3,650,000, thereby increasing the total available credit limit to $7,900,000.

The Loan Facility matures on June 30, 2011 and bears an interest rate of Libor plus 7.5% per annum, calculated and payable on a monthly basis. At March 31, 2011, the base Libor rate was 0.26%. Refer to Note 8 for the amount of interest and financing fees paid in respect to this Loan Facility during fiscal 2010 and 2011 respectively. The Loan Facility is secured by substantially all of the assets of the Company. The Company is currently negotiating potential extensions and permanent long term financing with its current lender as well as independent lenders.

During the period ended March 31, 2011, the Company spent $48,400 on property and equipment compared to $27,300 for the same period in 2010. For the period ended March 31, 2011, $752,800 was used in operating activities compared to $678,900 in 2010.

The authorized share capital of the Company consists of unlimited number of common shares without par value and unlimited number of preference shares without par value. As at March 31, 2011, the Company's share capital increased from 2010 year end of $24,144,300 representing 105,167,491 common shares, of which 1,190,935 were allotted to former SGMC's shareholders to tender their shares in the future to 24,180,900 representing 105,367,491 common shares, of which 1,147,752 were allotted. The Company also had 254,414 preference shares outstanding as at March 31, 2011 also unchanged from the 2010 year end, valued at $211,200

As at March 31, 2011, the Company had 2,491,000 stock options outstanding at an exercise price ranging from C$0.11 to C$0.35 and expiry dates from April 20, 2011 to February 16, 2016. If all the remaining outstanding options were to be exercised, the Company's available cash would increase by C$377,180.

As at March 31, 2011, the Company had a total of 12,549,502 warrants outstanding with an exercise price of C$0.15 per share expiring on or before August 22, 2010. If all the remaining warrants outstanding as at the

date of this report were exercised, the Company's available cash would increase by C$1,882,425. During the third quarter 2010 the Company filed Form 4D with the TSXV to extend the warrants expiry date to August 22, 2011from August 22, 2010. This extension was approved by the TSXV on August 6, 2010.

As at the date of this report, the Company had 105,395,291 common shares issued and outstanding of which 820,952 common shares were allotted. On a diluted basis the Company had 120,814,207 shares outstanding.

As at March 31, 2011, the deficit was $36,605,100 (December 31, 2010: $35,923,800). The increase was the result of the net loss of $681,300 for the period ended March 31, 2011.

Property and equipment

As of March 31, 2011, the cost of the Company's property and equipment totaled $1,330,300 offset by accumulated depreciation of $799,100. For the period ended March 31, 2011, depreciation totaled $13,800 (2010 - $16,600).

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 are secured by a $27,000 reclamation bond as of March 31, 2011.

Transactions with Related Parties

During the three months period ending March 31, 2011 the Company paid $106,250 in interest (for twelve months ending December 31, 2010 - $278,200) in respect to the Loan Facility as outlined in Note 8. In addition, the Company paid loan transaction financing fees in the amount of $382,400 in 2010 in respect to setting up the extension of Loan Facility agreement in 2010.

Related party transactions are measured at their exchange amounts as determined by management. The amounts bear no interest and are unsecured with no repayment terms.

Change in Accounting Policies

The Company prepared its unaudited condensed consolidated interim financial statements for the 1st quarter ended March 31, 2011 in accordance with IFRS. These are the Company's first financial statements prepared in accordance with IFRS and accordingly they were prepared in accordance with IAS 34, using accounting policies consistent with IFRS. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian GAAP. The preparation of these unaudited condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies listed below have been applied consistently to all periods presented in the financial statements. They also have been applied in preparing an opening IFRS statement of financial position as at January 1, 2010, the Company's Transition Date, for the purposes of the transition to IFRS, as required by IFRS 1 First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The accounting policies have been selected to be consistent with IFRS as is expected to be effective on December 31, 2011, the Company's first annual IFRS reporting date. The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these unaudited condensed consolidated interim financial statements will be finalized only when the first full IFRS financial statements are prepared for the year ending December 31, 2011.

Impact of Adopting IFRS on the Company's Business

The adoption of IFRS has resulted in some changes to the Company's accounting systems and business processes, however the impact has been minimal. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's staff and consultants involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies.

The Board of Directors and the Audit Committee have been regularly updated through the Company's IFRS transition process, and are aware of the key aspects of IFRS affecting the Company.

Elections upon first-time adoption of IFRS

a) **IFRS-1 policy choices and exceptions for retrospective application**

IFRS-1 contains the following policy choices with respect to first-time adoption that are applicable to the Company.

Property, plant & equipment:

IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical cost basis under Canadian GAAP.

Impact on Company: *The Company has decided to elect to use the historical cost carrying values as determined under Canadian GAAP for transitional purposes.*

b) **Mandatorily applicable standards with retrospective application (i.e., not specifically exempt under IFRS - 1)**

Deferred mineral exploration costs

The Company records it interests in mineral exploration properties at cost. Exploration expenditures, other than those of a general nature, relating to mineral properties in which an interest is retained are deferred and carried as an asset until the results of the projects are known. If a project is unsuccessful or if exploration has ceased because continuation is not economically feasible, the cost of the property and the related exploration expenditures are written off.

IFRS: IFRS 6 *Exploration and Evaluation of Mineral Resources* permits mining companies to retain their existing policies with respect to the capitalization of exploration and evaluation costs until guidance that is more definitive is developed in this area. Such guidance is not expected to be issued until after the Company's changeover to IFRS. **Canadian GAAP**: Under Canadian GAAP all mineral resource properties are carried at cost. The Company considers exploration and development costs and expenditures to have the characteristics of property, plant and equipment and, as such, the Company capitalizes all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties as incurred, until those properties are determined to be economically viable for mineral production. After the determination of economic feasibility and at the commencement of pre-production activities these deferred exploration costs will be transferred to mining properties and amortized through charges against income derived from mining operations. The Company will have a

choice between retaining its existing policies with respect to mineral properties and deferred exploration costs or electing to change its policy retrospectively to expense all pre feasibility costs.

Impact on Company: *The Company decided to change its accounting policy to retrospectively expense all pre feasibility exploration and evaluation costs. The Company recorded an adjustment resulting in a decrease of $806,300 to the deferred exploration assets and increase to deficit by the same amount.*

Property, plant and equipment – cost

IFRS: IAS 16 contains more extensive guidance with respect to components within PP&E. When an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting). **Canadian GAAP**: Section 3061 essentially contains similar guidance but is less extensive.

Impact on Company: *The Company has determined that there is no impact upon transition as at January 1,2010.*

Loan facility - Transaction costs

On August 12, 2009 the Company entered into a short term loan facility agreement (the "Loan Facility"). The Loan Facility is denominated in US dollars and has a limit of $4,250,000. Transaction fees in the amount of $385,000 were expensed during the period.

IFRS: IAS 39 does not allow a choice of accounting policy for transaction costs - must be recognized as part of the financial liabilities. **Canadian GAAP**: Permits a choice.

Impact on Company: *The Company has reviewed the IAS 39 methodology and has made the following adjustments:*

January 1, 2010 - Note payable is reduced by $288,800 with a corresponding reduction to deficit;

March 31, 2010 - Note payable is reduced by $192,500 with an increase in financing costs of $96,300;

December 31, 2010 - Note payable is reduced by $185,000 with an increase in financing costs of $377,500.

Provision for environmental rehabilitation

Future reclamation and mine closure costs will be the responsibility of the Company and are based on legal and regulatory requirements. Site disturbance on the Company's properties is minimal thus the current estimated reclamation obligations of $23,300 are secured by a $27,000 reclamation bond.

IFRS – IAS 37 applies to a constructive obligation, where the event creates valid expectations that the entity will discharge the obligation, as well as a legal obligation. The amount recognized should be the best estimate of the expenditure required to settle the obligation at the balance sheet date. Present value should be used where the effect of the time value of money is material. The discount rate (or rates) utilized should be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. Provisions should be reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Impact on the Company: *The Company has determined that there is no material impact, therefore no adjustment was recorded.*

Functional currency

The Company uses the US $ as its functional currency and US $ as its reporting currency.

Foreign currency transactions are translated into the functional currency of the Company using exchange rates in effect during the period. Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at period end exchange rates are recognized in profit or loss.

IFRS - Under IAS 21 the *Effects of Changes in Foreign Exchange Rates*, there are some primary indicators which must be given priority in determining an entity's functional currency, as follows:

a) The currency that mainly influences sales prices for goods and services.
b) The currency of the country whose competitive forces and regulations mainly determine the sales prices of the goods and services.
c) The currency that mainly influences labor, material and other costs of providing goods or services.

Impact on Company: *Currently the majority of the Company's operating expenses and all of the Company's financing is denominated in US$. Therefore, the Company has determined that there is no need to change functional currency based on the above primary indicators.*

Share based compensation

IFRS: Under IFRS 2, graded vesting awards must be accounted for as though each installment is a separate award. IFRS does not provide for an election to treat the instruments as a pool and recognize expense on a straight line basis. **Canadian GAAP**: Straight line basis is permissible under Canadian GAAP.

Impact on Company: *The Company has recognized option expense on a graded basis that is consistent with the IFRS 2 amortization methodology; as such the Company has determined that there is no impact at January 1, 2010.*

Share purchase warrants denominated in Canadian dollars

On August 22, 2008, the Company completed a non-brokered private placement of 25,589,993 units at a price of C$0.11 for proceeds of $2,668,200 (C$2,814,900). Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of C$0.15 per share until August 22, 2010. The fair value of $712,400 was assigned to these warrants using Black-Scholes model.

IFRS: Under IFRS, the exercise price of the warrants is fixed in Canadian dollars. The functional currency of the Company is in U.S. dollars and therefore the conversion option is considered a derivative as the Company will receive a variable amount of cash when the warrants are exercised. As a result, the warrants meet the definition of a derivative liability under IAS 39 *'Financial Instruments: Recognition and Measurement'* and is recorded as a financial liability and stated at fair value at each date of the statement of financial position. **Canadian GAAP:** Under Canadian GAAP – The warrants were accounted for at carrying value as equity.

Impact on Company: *As a result of this difference the Company has an increase in liability and a decrease in deficit in the amount $445,500 as at January 1, 2010.*

<u>Convertible preferred shares</u>

The Company has 254,414 preference shares outstanding that are convertible into common shares at C$1 per share. These preference shares carry no dividends.

IFRS: Under IAS 32 and 39 *Financial Instruments: Recognition and Measurment,* The conversion feature potentially represents an embedded call option on the Company's common shares that also meets the definition of equity.

Impact on Company: *The Company has determined that there is no material impact, therefore no adjustment was recorded.*

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet 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 recoverability of amounts receivable and prepayments which are included in the consolidated interim statement of financial position;
ii. the estimated useful lives of property, plant and equipment which are included in the consolidated interim statement of financial position and the related depreciation included in the consolidated statement of comprehensive loss for the period ended March 31, 2011;
iii. the inputs used in accounting for share purchase option expense in the consolidated interim statement of comprehensive loss; and
iv. the nil provision for income taxes which is included in the consolidated interim statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated interim statement of financial position at March 31, 2011.

Off-balance sheet arrangements

The Company had no off balance sheet arrangements as at March 31, 2011 or December 31, 2010.

Financial instruments

The Company's excess cash reserves are held in cash equivalents. The Company had no other financial instruments other than accounts receivable, accounts payable, leases payable and amounts due to and from related parties as at March 31, 2011 or December 31, 2010.

Outstanding share data

Common Shares:

The Company has authorized an unlimited number of common shares, with no par value, of which 105,167,491 shares are issued and outstanding as of the date hereof. 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 of the date hereof, 12,549,502 share purchase warrants were issued are outstanding.

Stock Options:

As of the date hereof, 2,491,000 options were outstanding under the Company's stock option plan for employees, directors, officers and consultants of the Company these options have an exercise price between C$0.11 - C$0.35.

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.

Outlook

Management of the Company plans the following activities in 2010 to increase liquidity, repay debt and generate the capital necessary to continue the development of the Sutter Gold Mine.

Short term the Company has agreed with RMB Australia Holdings Limited to extend the maturity date of its secured loan facility to June 30, 2011 and increase the loan limit to $7,900,000 in order to complete a detailed mine development plan and production/grade schedule for technical reporting as defined by NI 43-101.

Upon completion of the NI 43-101 technical study the Company plans to raise sufficient funds through either additional debt financing, the sale of equity investments or attracting an industry partner to provide sufficient capital to construct a mill and complete mine development in anticipation of putting the mine into production. The Company has begun negotiations with its current lender and with independent lenders to secure long term construction financing.

Management believes that if it is successful in these endeavors and the project is financially justified that the mill and mine could be in production within 12 - 18 months of financing. The spot and long-term price for gold is volatile. These price fluctuations are a risk to the economic performance of the property. There is no assurance that the plans will be accomplished.

Risks and Uncertainties

The success of the Company will depend on numerous factors, including 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 and permitting 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 cash flow must be derived from external financing. Actual funding 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 prevent the Company from obtaining additional external financing; the Company will need to review its exploration property holdings to prioritize project expenditures based on funding availability.

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 required capital, equipment and services in a timely or cost effective manner.

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.

Disclaimer

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 file on SEDAR (www.SEDAR.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Forward Looking Statements

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward looking statements are usually identified by our use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward-looking statements. 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 used in this discussion are subject to various risks and uncertainties, 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.

Forward-looking statements included or incorporated by reference in this document include statements with respect to:

- The Company notes that if the project is financially justified that the mill and mine could be in production within 12 - 18 months of financing in the outlook section.
- The Company is currently preparing a mine development and production/grace schedule for a feasibility study.
- The Company summarizes possible future finance activities in the outlook section.