SUTTER GOLD MINING INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

The following discussion and analysis is managements assessment of the results and financial condition of Sutter Gold Mining, Inc., ("the Company") for the year ended December 31, 2008. 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 Mark Payne, P. Geo. Calif. #7076.

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 43,180,757 common shares of the Company as of December 31, 2008. The Company has allotted another 1,396,610 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 December 31, 2008, RMB owned 51,832,120 (49.9%) of the outstanding common shares of the Company.

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

In October 2008, the Company appointed Clayr Alexander as the new CEO, President and director and Robert J. Hutmacher as the new CFO. Mr. Alexander is responsible for all aspects of the Company's growth and development with the focus on advancing the Sutter Gold Lincoln Project located in California. Mr. Hutmacher is responsible for accounting and finance, investor relations, human resources, and reporting and compliance.

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 production activities. The Company's new corporate facilities were fully independent and operational at the end of 2008.

Mining Claims Expenditures

	2007	Net Additions	2008
Lincoln & Comet Project			
Drilling and underground development	$ 806,300	$ - 0 -	$ 806,300
Total Expenditures	$ 806,300	$ - 0 -	$ 806,300

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 contiguous 535-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 2,350,000 ounces of gold, essentially all recovered prior to 1920. Records indicate that these formerly producing mines have documented reserves that have not been recovered.

Senior management has been assembled for Sutter Gold Mining's corporate and mine development support. Full time employees have been added at the Lakewood office as well as at the mine site where they are updating project cost and schedule estimates while maintaining 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 purchased software for geologic modeling and mine planning and has entered existing drill hole, sampling and geologic data for detailed geologic modeling and resource evaluation. A detailed, mine development and production/grade schedule is being prepared for a feasibility study.

H. C. Osborne and McClelland Labs are conducting metallurgical testing to determine grind size, gravity and flotation recoveries, and reagent requirements for final process flow sheet design, equipment selection and operating cost estimations. Golder Paste Technology Ltd, has been selected to conduct material testing and equipment selection for dewatering, storage, mixing and delivery of process material for surface fill unit and underground paste backfill. Golder Associates Inc. has been retained for material testing, and to provide proposals for the design, construction and operating cost estimates for the Surface Fill Unit, Construction Rock Storage and modifications necessary to existing operational permits. Once the process flow sheet, equipment selection, storage and backfill designs have been finalized, construction and operational cost estimates and schedules will be prepared for the overall project and economic evaluation.

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 NI 43-101, Standards of Disclosure for Mineral Projects. The Indicated Mineral Resource base for the Lincoln Project has increased 30 percent from the 2006 Resource estimate, resulting in the upgrade of Inferred Resources to the Indicated category, and discovery of mineralization in new zones. The summary of the updated Indicated and Inferred Resources for the Lincoln Project is available in the February 13, 2008 news release.

The 2008 Indicated Resource estimate represents a 29% increase in ounces and 37% increase in tonnage over the 2006 estimate, with Indicated Resources for the project reported as 612,364 tonnes (673,600 tons) grading 11.3 g/t (0.33 oz/ton) containing 223,044 ounces gold.

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

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 Company is again preparing minor permit modifications to the 1998 mining permit to reflect advances in technology (paste backfill and dry stacked tails), reduced operating tonnages and more efficient and economical operating parameters. The Company expects these changes to be complete and approved by fourth quarter of 2009.

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 to each other. 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 2,400 feet of crosscuts plus five raises. The historic gold production was documented in a detailed report completed by Mark Payne, a qualified person as defined by NI 43-101.

From 2001 to the end of 2003, the Company renegotiated the principal mineral leases with the leasers. 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, respectively: $1,200 and $2,400 for each of years one to ten; $2,400 and $4,800 for each of years eleven through twenty; $3,600 and $7,200 for each of years twenty one through thirty; and $4,800 and $9,600 for each year thereafter. An additional 0.5% net smelter return royalty is held by a consultant to a lessee prior to the acquisition of the properties, which 0.5% interest covers the same properties in the Lincoln Project. All payments have been made up to date.

Eureka Mines
On January 21, 2005, the Company entered into a lease agreement to acquire 105 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 of $2,400 for each of years one to ten, $3,600 for each of years eleven to twenty, $4,800 for each of years twenty-one to thirty, and $6,000 for each year after the year thirty-one. 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.

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.

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 C$500,000 in payments and a minimum of C$100,000 in work commitments.

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$50,000 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 had signed a Memorandum of Understanding 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 currently being explored in the Phase I program may extend along strike into La Victoria.

Results of Operations

Selected Annual Information

	Year ended Dec 31, 2008	Year ended Dec 31, 2007	Year ended Dec 31, 2006
	$	$	$
Total revenues	40,800	41,700	47,500
Operating costs and expenses	1,277,500	2,247,500	1,992,600
Loss for the year	1,553,900	1,587,500	1,856,700
Loss per share – basic and diluted	0.02	0.02	0.03
Total assets	3,107,100	1,940,100	3,581,400
Total long-term financial liabilities	23,300	23,300	6,699,600
Cash dividends accrued	Nil	Nil	Nil

Results of operations for the year ended December 31, 2008 compared to the year ended December 31, 2007

The Company's net loss for the year ended December 31, 2008, totaled $1,553,900 or $0.02 per share, compared to a net loss of $1,587,500 or $0.02 per share for the year ended December 31, 2007. During 2008 we recorded a foreign currency exchange loss of $369,200, (2007 - $41,400 gain) reflecting a stronger US dollar against the Canadian dollar and its effect on the net monetary assets that were denominated in Canadian dollars. We also had a substantially smaller gain on sale of marketable securities with $24,300 recorded in 2008 compared to $428,300 in 2007.

During the current year, the Company sold 100,000 common shares of Premier for a gain of $24,300. In addition, the Company reported a gain of $22,200 on the optioned property as a result of Premier reimbursing the Company a total of $72,200 while the Company only paid The Alamo Group $50,000. In the period ended September 30, 2007, the Company received common shares from Premier for its option of the Mexican property and recognized $139,400 in option proceeds in excess of the resource property and received a $17,500 dividend income from USE.

On December 31, 2007, the Company settled the outstanding debt through the sale of its 225,000 USE shares valued at the last 5 days volume weighted average price ("VWAP") of $4.37 and totaling $983,300, of which $735,300 was used to settle the line of credit with USECB. A gain of $428,300 was recognized on this settlement. In addition, the Company received $17,500 dividend income from USE.

At December 31, 2007 the Company recorded a gain of $126,600 on optioning the Mexican property to Premier.

Operating costs and expenses decreased by $970,000 and totaled $1,277,500 for the twelve months ended December 31, 2008, compared to $2,247,500 for the same period in 2007. The decrease was due to the Company temporarily suspending the exploration program and delaying other projects to control costs, with exploration of mining properties decreasing from $955,100 to $3,000. The suspension of exploration also caused professional & contract services to decrease $180,500. These decreases were offset with increases in feasibility study of $120,600, higher management fees of $73,200, due to payments to the former president of the company and higher salaries and wages of $63,000 due to the addition of new employees.

Revenues during the year ended December 31, 2008 decreased slightly from $41,700 in 2007 to $40,800. Interest income decreased by $11,600 in 2008, as a result of the substantially reduced interest rates for the majority of 2008.

Summary of Quarterly Results

Expressed In $	**Dec 08**	Sep 08	Jun 08	Mar 08	**Dec 07**	Sep 07	Jun 07	Mar 07
Operating revenues	**13,100**	12,300	7,700	7,700	**13,700**	13,100	7,200	7,700
Net loss	**(1,065,200)**	(251,700)	(145,300)	(91,700)	**(86,400)**	(397,000)	(496,800)	(607,300)
Loss per share	**(0.01)**	(0.01)	(0.00)	(0.00)	**(0.00)**	(0.00)	(0.01)	(0.01)

Results of Operations for the Fourth Quarter of 2008 and 2007

In the three months ended December 31, 2008, the Company recorded a net loss of $1,065,200 or $0.01 per share compared to a net loss of $86,400 or $0.00 per share for the same period of 2007. During the fourth quarter of 2008, we recorded a foreign currency exchange loss of $399,300, reflecting a stronger US Dollar against the Canadian dollar and its effect on the net monetary assets that were denominated in Canadian dollars. In 2007 we recorded a foreign exchange gain of $41,400 due to a stronger Canadian dollar. We also had a substantially smaller gain on sale of marketable securities with $24,300 recorded in 2008 compared to $428,300 in 2007 as described below.

On December 31, 2007, the Company settled the outstanding debt through the sale of its 225,000 USE shares valued at the last 5 days VWAP for $4.37 and totaling $983,300, of which $735,300 was used to settle the line of credit. A gain of $428,300 was recognized on this settlement.

Operating costs and expenses totaled $679,200 for the fourth quarter of 2008, as compared to $546,900 for the same period in 2007, a net increase of $132,300. The major increases were due to: (a) recognition of non-cash stock-based compensation of $70,500 in fiscal 2008 compared to $25,400 in 2007; (b) increased mine and property holding costs from $15,000 to $100,800 due to environmental related costs, (c) increased salaries & wages from $76,700 to $264,200 due to the hiring of additional personnel, and (d) start up of the mine feasibility study totaled $120,600 in the fourth quarter 2008 versus $0 for the same period in 2007.

Offsetting these higher operating costs and expenses, were the following cost decreases in 2008 compared to the same period in 2007: (a) office & miscellaneous from $86,900 in 2007 to $27,900 of expense in 2008 due to the Company administrating their projects on its own; (b) due to the suspension of the second phase of the exploration program in late 2007 exploration of mining properties decreased from $86,800 in the three months ended December 31, 2007 to $0 in the fourth quarter 2008 and related permitting and professional and contract services decreased from $221,700 to $50,900 in those same periods.

Operating revenues during the fourth quarter of 2008 decreased slightly to $13,100 from $13,700 in 2007.

Liquidity and Capital Resources

The Company's working capital at December 31, 2008 was $1,544,000 versus $431,900 at December 31, 2007. Cash and cash equivalents totaled $1,716,200 at December 31, 2008, an increase of $1,689,900 from $26,300 at December 31, 2007.

In 2007, the Company received $2,400 from the exercise of 15,000 stock options and $983,300 from sale of marketable securities, of which $735,300 was used to settle the line of credit with USECB Joint Venture ("USECB"). $247,600 was received in cash subsequent to December 31, 2007.

During the year ended December 31, 2008, the Company spent $56,100 (2007 - $2,400) in the property and equipment and nothing was spent in 2008 (2007 - $55,000) for property exploration costs (see "Sutter Gold Project" section). For the year ended December 31, 2008, $749,400 (2007 - $2,562,600) was used in operating activities (see "Results of Operations" section).

On May 3, 2007, the Company settled its outstanding debt of $2,025,700 (C$2,362,800) with USE and Crested by the issuance of 7,621,868 common shares of the Company at C$0.31 per share. In addition, the Company settled the Contingent Stock Purchase Warrant and negotiated a $1,000,000 line of credit with Crested and USE. As of December 31, 2007, the line of credit was settled in full (see "Transaction with Related Parties" sections).

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 $2,668,300 (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 $712,500 was assigned to these warrants using Black-Scholes model. The share issue costs totaled $25,600.

The Company has sufficient working capital for the first half of 2008 with the receipt of the private placement monies, however, it does not have sufficient funds for completing the feasibility study and working capital for the next 12 months. The Company will be required to raise additional funds in order to finish the plans and economic studies required to make a production decision. Exploration will continue on the Mexican property in 2008 since it is being funded through our joint venture agreement with Premier.

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 December 31, 2008, the Company's share capital was $ 23,945,500 (2007 - $22,015,300) representing 103,872,038 (2007 – 78,282,045) common shares, of which 1,396,610 (2007 – 1,396,610) were allotted to former SGMC's shareholders to tender their shares in the future. The Company also had 254,414 preference shares outstanding as at December 31, 2008 valued at $211,200 (2007 - $211,200 representing 254,414 preference shares).

As at December 31, 2008 the Company had 6,025,000 stock options outstanding at an exercise price ranging from C$0.11 to C$0.35 and expiry dates from April 8, 2010 to October 6, 2013. Subsequently, 1,490,000 options with an exercise price from C$0.20 to C$0.35 expired. If all the remaining outstanding options were to be exercised, the Company's available cash would increase by C$1,409,050.

As at December 31, 2008, the Company had a total of 12,794,994 warrants outstanding with an exercise price of C$0.15 per share expiring on or before August 22, 2010. Subsequently, 16,312,000 warrants with an exercise price from C$0.30 to C$0.34 expired. If all the remaining warrants outstanding as at the date of this report were exercised, the Company's available cash would increase by C$1,919,249.

As at the date of this report, the Company had 103,872,038 common shares issued and outstanding of which 1,396,610 common shares were allotted. On a diluted basis the Company had 122,946,446 shares outstanding.

As at December 31, 2008, the deficit was $27,869,200 (2007: $26,315,300). The increase was the result of the net loss of $1,553,900 for the year ended December 31, 2008.

Marketable Securities

As of December 31, 2008, the Company did not own any marketable securities and as of December 31, 2007 the Company's marketable securities consisted of 100,000 shares of Premier Gold Mines Limited ("Premier") shares, which were carried at fair value of $244,700.

During the year ended December 31, 2008, the Company sold 100,000 of Premier's common shares for a gain of $24,300 and cash proceeds of $221,900.

Property and equipment

As of December 31, 2008, the cost of the Company's property and equipment totaled $1,052,800 offset by accumulated depreciation of $510,400. For the year ended December 31, 2008, depreciation totaled $41,400 (2007 - $52,500).

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 December 31, 2008.

Transactions with Related Parties

During the year ended December 31, 2008, the Company incurred C$74,000 (2007 – C$65,300) for accounting, administrative and secretarial fees to a private company controlled by a director, and the Company owed $2,100 to this company as at December 31, 2008 (2007 - $5,800) for the unpaid portion of these and expense reimbursement amounts.

Effective June 1, 1996, SGMC entered into a Management Agreement with USE and Crested whereby a joint venture between those companies, USECB Joint Venture ("USECB") serves as the manager of the Company's mine development and exploration activities, among other duties, and provides administrative staff and services to the Company. Under the terms of the Management Agreement, USECB is reimbursed for actual costs incurred plus, initially, 10% of allowable costs as defined in the Management Agreement. USECB invoiced SGMC $378,900 and $1,400,200 for the year ended December 31, 2007 and 2006, respectively, which included general administration costs, note payments, lease payments and other costs. The Management Agreement may be terminated by the Company at any time with one month's advance notice to USECB.

On May 3, 2007, the Company settled its outstanding debt of $2,025,700 (C$2,362,800) with USE and Crested by the issuance of 7,621,868 common shares of the Company at C$0.31 per share.

USE and Crested agreed during fiscal 2007 to provide a $1,000,000 line of credit to the Company at 12% annual interest, drawable and repayable at anytime in tranches of $50,000 or more by the Company. The line of credit became due no later than two years from June 20, 2007. It was collateralized by the Company's California properties. USE and Crested had the sole option to have the Company repay the debt in cash or the Company's common shares at a 10% discount to the 10 day volume weighted average price ("VWAP") before payment (subject to the TSX Venture Exchange approval). Terms of the credit agreement were negotiated and approved by the independent directors of USE, Crested and the Company. As of December 31, 2007, USE had loaned $723,300 to the Company, with an accrued interest of $12,000, totaling $735,300. On December 31, 2007, the Company settled the outstanding debt through the sale of its 225,000 USE shares valued at the last 5 days VWAP for $4.37 and totaling $983,300, of which $735,300 was used to settle the line of credit. During the year ended Dec 31, 2008, USE repaid the Company $247,600 which was owed at the end of 2007.

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.

Subsequent Events

None.

Changes in accounting policies

On January 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

(a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories (see Note 11).

(b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows (see Note 11).

(c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed (see Note 12). Under this standard, the Company will be required to disclose the following:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirement to which it is subject; and
- when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

(d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (see Note 1).

IFRS convergence

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS.

The Company has commenced its IFRS conversion project in 2008. The Company's IFRS project consists of three phases – scoping, evaluation and design, and implementation and review. The Company has commenced the scoping phase of the project, which consists of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. The Company has completed a high level scoping exercise and has prepared a preliminary Comparison of financial statement areas that will be impacted by the conversion.

A detailed assessment of the impact of adopting IFRS on our consolidated financial statements, accounting policies, information technology and data systems, internal controls over financial reporting, disclosure controls and procedures, and the various covenants and capital requirements and business activities has not been completed. The impact on such elements will depend on the particular circumstances prevailing at the adoption date and the IFRS accounting policy choices made by the Company. The Company has not completed its quantification of the effects of adopting IFRS. The financial performance and financial position as disclosed in our Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

Off-balance sheet arrangements

The company had no off balance sheet arrangements as at December 31, 2008 or December 31, 2007.

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 December 31, 2008.

Outstanding share data

Common Shares:

The Company has authorized an unlimited number of common shares, with no par value, of which 103,872,038 shares are issued and outstanding as of the date hereof.

Share Purchase Warrants:
As of the date hereof, 12,794,994 share purchase warrants were issued are outstanding.

Employee Stock Options:

As of the date hereof, 6,025,000 options were outstanding under the Company's stock option plan for employees, directors, officers and consultants of the Company.

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 2009 to increase liquidity, generate the capital necessary to continue the exploration of the Sutter Gold Mine and the Santa Teresa concession:

- Continue to lease the property to the 3rd party tour operator which partially covers overhead costs.

- Raise sufficient funds through either 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.

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 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 information provided in this document is not intended to be a comprehensive review of all matters concerning 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 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.