SUTTER GOLD MINING INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006
CONTAINING INFORMATION UP TO AND INCLUDING April 24, 2008

Management's Discussion and Analysis ("MD&A") is intended to help the reader understand Sutter Gold Mining Inc.'s (the "Company") audited consolidated financial statements. The information provided herein should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2007 and 2006.

Management is responsible for the preparation and integrity of the consolidated financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

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.

Overall Performance

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, 2007. 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.

As at December 31, 2007, the Company's parent company, U.S. Energy Corp. ("USE"), owned 54.4% of the Company's common shares.

The Company's principal business activity is the exploration of mineral properties. The Company's Sutter Gold project contains a 3.2 mile segment of the Mother Lode belt from which 10 historic mines produced 2.3 million ounces of gold, and 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 and together referred to as the Lincoln project.

In 2006, the Company entered into an Exclusive Option Agreement with a subsidiary of The Alamo Group, Inc. ("The Alamo Group") of Scottsdale, Arizona, to acquire a 100% interest in the Santa Teresa mineral concession located in the historic El Alamo gold mining district southeast of Ensenada, Mexico. In March 2007, the Company signed a letter of intent with Premier Gold Mines Limited ("Premier") to jointly explore the Company's Santa Teresa mineral concession.

In May 2007, the Company settled with USE and Crested the $2 million debt with the Company's common shares and converted $4.6 million Contingent Stock Purchase Warrant into a Net Profit Interest Royalty.

In September 2007, the Company retained IBK Capital Corp. of Toronto to evaluate strategic alternatives to maximize shareholder value. These alternatives may include the sale of the Company or the merger of the Company with a strategic partner, or any number of other available options.

Mining Claims Expenditures

	2006	Net Additions	2007
Lincoln and Comet Project			
Underground drilling	$ 788,600	$ 17,700	$ 806,300
Total Mining Claims Expenditures	$ 788,600	$ 17,700	$ 806,300

Sutter Gold Project
The Company's wholly owned subsidiary SGMC owns the Sutter Gold Project that is located in the historic Mother Lode District east of Sacramento, California. The Sutter Gold Project is situated on a contiguous 535-acre block of mining claims 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. This reported gold was recovered from several mines situated on what are now the SGMC claims. Historical exploration expenditures of US $22 million have been spent on the project by prior owners to get the project to its current status.

On June 28, 2006, the Company commenced an 18,000-foot underground and surface diamond drill program on its advanced stage gold project in the historic Mother Lode. The 2006 drill program was divided between underground and surface holes. The underground drill program has been completed. Thirty-three underground core holes totaling 2,700 meters (8,800 ft) were completed in 2007 and the assays received. Detailed information on assays results is available at the Company's website at www.suttergoldmining.com or www.sedar.com. New mineral resources have been identified in several new structures parallel to, and in close proximity to existing announced resources in all three areas tested in the current drilling program. The drilling continues to validate Sutter Gold's structural and ore control models and to demonstrate continuity of the Comet veins southward into the Lincoln area.

The Sutter Gold 2006-2007 core drilling program was planned and supervised by Mr. Mark Payne, P.Geo.

In the third quarter of 2007, the Company started a Phase 2 surface and underground core drilling program for its Lincoln Project based on the positive results obtained from the 2006-2007 drill program. A 2,100 meter (7,000 ft.) surface drill program of six holes was planned on the Keystone property and one deep exploratory hole of approximately 600 meters (2,000 ft.) was planned from an underground drill station. The expected cost of the program was $700,000. The Company temporarily suspended this Phase 2 program in October 2007 to devote more financial resources and management time to the exploration of strategic alternatives to maximize shareholder value.

The plans for Sutter Gold properties are focused on a surface drill program which started in July 2007. The goal of this drill program is to increase the size of the resource amount and to expand the inferred resources to determine the limits of the resource.

The Company recently updated the Mineral Resource estimate for the Sutter Gold Project. The 2008 Mineral Resource estimate includes the results from 5,945 meters (19,502 feet) of core drilling completed in 2006-2007, and is the subject of an NI 43-101 compliant Technical Report filed on www.sedar.com. The Indicated Mineral Resource base for the Sutter Gold Project has increased 30 percent from the 2006 Resource estimate, resulting from the conversion 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 Sutter Gold 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.

Several new zones were encountered during the 2006-2007 drill programs, including the Lincoln 10, 20, 28, 31, and 34 veins, a new shoot at the south end of the Lincoln 61 vein, and the Keystone 23, and 25 veins.

Fourteen significant exploration drilling targets have been identified and described in the Technical Report, based upon continued refinement of the structural geologic and exploration models for the Sutter Gold Project during 2007. This finding suggests good potential for continued discoveries and resource replacement as the project matures.

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.

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 and together referred to as the Lincoln project. A total of 101,385 feet of drilling had been accomplished in 230 diamond drill holes, and modern underground development consisted 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, the consulting geologist to Sutter Gold and 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. The payments have been made up to date.

An underground contractor rebuilt and reinforced the portal of the underground workings, extended and replaced rusted ventilation pipe, re-timbered raises and prepared underground drilling stations to allow for additional exploratory core drilling. On the surface, water control contouring has taken place, on-site haulage ways have been constructed and the area designated for the mill is being excavated and compacted. In June of 2006, an additional raise was cut, exposing visible gold while intersecting a vein which confirmed continuity of the ore in the previously discovered 40 vein. Free gold exposed in this location ranges from small specks to thick foils up to one-eighth inch in long dimension. Assay results received to date for the 40 Vein yielded a weighted average 0.404 ounces per ton gold.

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.

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, 2007, 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 were 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. The payments have been made up to date.

Ecuador property

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 December 2007, Premier began diamond drilling in the historic and high grade El Alamo District of Baja California Norte, Mexico. Premier plans to test the extent, continuity and grade of known gold-bearing vein structures by preparing an initial 14-hole diamond drill program of 3,650 meters on the Santa Teresa Concession. The initial phase of drilling should be completed in the second quarter of 2008. Major Drilling de Mexico, S.A. de C.V., of Hermosillo, Mexico has been contracted for HQ core drilling and has one drill on site. After a review of Phase I drilling results, Phase II drilling should commence to further define targets tested during Phase I, and test several excellent drill targets identified in the Santa Teresa and new Santa Teresa 2 Concessions.

Results of Operations

Selected Annual Information

	Year ended Dec 31, 2007	Year ended Dec 31, 2006	Year ended Dec 31, 2005
	$	$	$
Total revenues	41,700	47,500	39,700
Operating costs and expenses	2,247,500	1,992,600	1,559,900
Loss for the year	1,587,500	1,856,700	1,528,600
Loss per share – basic and diluted	0.02	0.03	0.03
Total assets	1,940,100	3,581,400	1,335,300
Total long-term financial liabilities	29,100	6,699,600	6,664,000
Cash dividends accrued	Nil	Nil	Nil

Results of operations for the year ended December 31, 2007
compared to the year ended December 31, 2006

The Company's net loss for the year ended December 31, 2007, totaled $1,587,500, compared to a net loss of $1,856,700 for the year ended December 31, 2006. Operating revenues during the year ended December 31, 2007 decreased by $5,800 from $47,500 in 2006 to $41,700 as a result of decreases in equipment rental revenue. Interest income decreased by $19,900 in 2007 as a result of the reduced funds in the bank as the Company had more ongoing operations compared to fiscal 2006.

Operating costs and expenses totaled $2,247,500 for the fiscal 2007 as compared to $1,992,600 for the fiscal 2006, a net increase of $254,900. The significant increases in the operating expenses for the period include: (a) exploration of mining properties (from $361,500 to $955,100); (b) professional & contract services (from $208,200 to $410,800), both due to the ongoing approved exploration program.

These increases in operating costs were offset by: (a) non-cash stock-based compensation decreasing from $290,900 to $68,700 as a result of recognizing vested options during the period; (b) wages and benefits decreasing from $372,100 to $277,100 due to the bonus paid to employees in 2006; (c) management fees decreasing from $118,900 to $30,500 due to the Company doing more of its own accounting; (d) mine and property holding costs decreasing from $240,300 to $164,700 as a result of the Company temporarily suspending the exploration program in the fourth quarter and delaying other projects to control costs, and (e) investor relations decreasing from $123,000 to $43,600 because an investor relations firm was only engaged in the third quarter of 2007.

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.

The foreign exchange gain totaled $41,400 in fiscal 2007 (2006 - foreign exchange loss $99,700) due to the strengthening of the Canadian dollar against the US dollar.

The net losses per share for the year ended December 31, 2007 and 2006 were $0.02 and $0.03, respectively.

Summary of Quarterly Results

Expressed In $	**Dec 07**	Sep 07	Jun 07	Mar 07	**Dec 06**	Sep 06	Jun 06	Mar 06
Operating revenues	**13,700**	13,100	7,200	7,700	**17,600**	11,200	10,500	8,200
Net loss	**(86,400)**	(397,000)	(496,800)	(607,300)	**(884,500)**	(602,700)	(134,300)	(235,200)
Loss per share	**(0.00)**	(0.01)	(0.01)	(0.01)	**(0.02)**	(0.01)	(0.00)	(0.00)

Results of Operations for the Fourth Quarter of 2007 and 2006

In the three months ended December 31, 2007, the Company's net loss decreased by $798,100 and totaled $86,400 compared to a net loss of $884,500 in the same period of 2006.

Operating costs and expenses totaled $546,900 for the fourth quarter of 2007, as compared to $834,700 for the same period in 2006, a net decrease of $287,800. The major decreases were due to: (a) recognition of non-cash stock-based compensation of $25,400 in fiscal 2007 compared to $286,900 in 2006; (b) decrease in exploration of mining properties from $290,500 to $86,800 as Phase II exploration program was temporarily suspended in the fourth quarter of 2007; (c) decrease in mine and property holding costs from $104,400 to $15,000 due to the delaying of projects to control costs, and (d) decrease in investors relations from $31,000 to $3,100 since the Company has taken a less aggressive approach with shareholders communication to conserve cash.

Despite the decreases in operating costs and expenses, certain costs increased during the fourth quarter in fiscal 2007 compared to the same period in fiscal 2006: (a) office & miscellaneous from $70,500 of expense recovery in 2006 to $86,900 of expensed in 2007 due to the Company administrating their projects on its own when in 2006 the administration was done by USE; (b) professional and contract services increased from $56,300 to $184,500 both due to the work on a prefeasibility study with outside consultants and; (c) permits and lease payments increased from $2,400 to $37,200 due to the annual payments on Sutter Gold project properties.

Operating revenues during the fourth quarter of 2007 decreased to $13,700 from $17,600 in 2006, due to decreased activity at the mine tours. Interest income decreased by $8,900 in the fourth quarter of 2007. The net loss per share in three month ended December 31, 2007 was $0.00 (2006 - $0.02).

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.

Liquidity and Working Capital

The Company's working capital as at December 31, 2007 was $437,700 (December 31, 2006: $1,840,800). Cash and cash equivalents totaled $26,300 as at December 31, 2007, a decrease of $1,592,000 from $1,618,300 as at December 31, 2006.

In fiscal 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 line of credit with USECB and $247,600 received in cash subsequent to December 31, 2007.

During the year ended December 31, 2007, the Company spent $2,400 (2006 - $31,100) in the property and equipment and $55,000 (2006 - $788,600) property exploration costs (see "Sutter Gold Project" section). For the year ended

December 31, 2007, $2,272,800 (2006 - $1,422,700) 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).

The Company has working capital for the next few months with its marketable securities holding, however, it does not have sufficient funds for completing the 2007 Lincoln Project exploration program and working capital for the next 12 months. The Company will be required to raise additional funding in 2008 for further exploration and/or to prepare 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 by Premier.

Marketable Securities

On November 27, 2007, Crested was amalgamated with USE and every 2 Crested shares were exchanged for 1 USE share. On December 31, 2007, 225,000 of USE shares were sold to USE for a total proceeds of $983,300 and a gain of $428,300.

The Company owns 100,000 shares of Premier Gold Mines Limited. Upon adoption of the new accounting policies on January 1, 2007, the Company carries these shares at their market value. At December 31, 2007 the Company had an unrealized gain of $47,100 recorded as "Other Comprehensive Income".

Property and equipment

As of December 31, 2007, the cost of the Company's property and equipment totaled $1,005,600 offset by accumulated depreciation of $477,900. For the year ended December 31, 2007, depreciation totaled $52,500 (2006 - $57,400).

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, 2007.

Capital Resources

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, 2007, the Company's share capital was $22,015,300 (2006 - $19,951,700) representing 78,282,045 (2006 – 70,534,066) common shares, of which 1,396,610 (2006 – 1,446,010) 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, 2007 valued at $211,200 (2006 - $211,200 representing 254,414 preference shares).

In fiscal 2007, 15,000 options at a price of C$0.20 per share were exercised, 111,111 common shares at a price of C$0.36 per share were issued for the Mexican Property acquisition, and 7,621,868 common shares of the Company were issued on the settlement of the outstanding debt with related parties (see "Transactions with Related Parties" section).

As at December 31, 2007 the Company had 5,315,000 stock options outstanding at an exercise price ranged from C$0.20 to C$0.35 and expiry dates from November 14, 2008 to August 16, 2011. Subsequently, 850,000 options with an exercise price from C$0.28 to C$0.35 expired. If all the remaining outstanding options were to be exercised, the Company's available cash would increase by C$1,353,550.

As at December 31, 2007, the Company had a total of 16,312,000 warrants outstanding with an exercise price from C$0.30 to C$0.35 per share expiring from April 13, 2008 to May 25, 2008. Subsequently, 4,250,000 warrants with an exercise price of C$0.30 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$4,221,700.

As at the date of this report, the Company had 74,032,045 common shares issued and outstanding of which 1,396,610 common shares were allotted. On a diluted basis the Company had 95,063,459 shares outstanding.

On May 3, 2007, the Company settled the Contingent Stock Purchase Warrant with Crested and USE by the issuance of a Net Profits Interest royalty ("NPIR") of 5% until the total 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, but excluding development costs incurred prior to December 31, 2006. As of December 31, 2007, the settlement of $4,644,900 contingent stock purchase warrant was reclassified as contributed surplus.

As at December 31, 2007, the deficit was $26,315,300 (2006: $24,727,800). The increase was the result of the net loss of $1,587,500 for the year ended December 31, 2007. The other comprehensive income consists of unrealized gain on marketable securities and totaled $47,100 as of December 31, 2007 (2006: $Nil).

Transactions with Related Parties

During the year ended December 31, 2007, the Company incurred C$65,300 (2006 – C$90,900) for accounting, administrative and secretarial fees to a private company controlled by a director, and the Company owed $5,800 to this company as at December 31, 2007 (2006 - $6,600) 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. A balance of $247,600 was owed to the Company as of December 31, 2007 (2006 – $2,025,700 owed to USECB) and was subsequently received.

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

Subsequent Events

850,000 stock options were cancelled and 4,250,000 warrants expired.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Internal Controls and Procedures

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the year ended December 31, 2007. Based on this evaluation, management has concluded that the design of these internal controls and procedures over financial reporting was effective.

The internal controls have an inherit weakness in the area of management override and segregation of accounting duties, in that the accounting staff is small in number and it is not practical or cost effective to increase accounting personnel to enable the segregation of all accounting duties in a company of this size.

New Accounting Policies

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges, retroactively without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on the opening deficit.

Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading, financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Financial Instruments and Other Instruments

Upon adoption of new accounting standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and leases payable are classified as other financial liabilities. Marketable securities are classified as available-for-sale which are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

The Company recognized "other comprehensive income" during the year ended December 31, 2007 of $47,100.

Outlook

Management of the Company plans the following activities in 2008 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 the sale of equity investments, sell its marketable securities holdings 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.

The Company has also retained IBK Capital Corp. of Toronto to evaluate strategic alternatives to maximize shareholder value. These alternatives may include the sale of the Company or the merger of the Company with a strategic partner, or any number of other available options.

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.