

Sutter Gold Mining Inc. Provides A Development Update for the Lincoln Project

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VANCOUVER, BRITISH COLUMBIA -- ([Marketwire](#) - Aug. 18, 2011) - [Sutter Gold Mining Inc.](#) (TSX VENTURE: SGM) ("Sutter" or the "Company") is pleased to provide an update on the development efforts for the Lincoln Mine Gold Project ("Project").

Surface Construction and Scheduling

Sutter is completing final designs, final construction documents and contractor selection to allow for the construction of surface facilities to begin in September 2011. Sutter has obtained approval from the Amador County Land Use Committee for preliminary architectural plans for the mill complex and shop/staff services building and ancillary structures. The Company has obtained a demolition permit to remove existing temporary structures and allow for the construction of new surface facilities. The Company has obtained approval of construction-level plans and specifications for the two mine waste units, the Waste Rock Pile (WRP) and Surface Fill Unit (SFU) that will be used to store and dispose of development rock and mill tailings, respectively.

Sutter and its consultants are finalizing construction-level plans and specifications for certain earthworks, the mill complex, shop/staff services building and ancillary structures. These construction-level designs will be used to obtain building and grading permits, as appropriate, to solicit bids for contractors and complete the contractor selection process for surface facilities. The Company has established the following September milestones necessary to complete the final engineering and design work and file for construction permits:

- Water supply line for fire suppression
- Grading plans for the Tailings Processing Area, SFU access road and employee parking
- Building plans for the Shop/Staff Services building
- Building plans for the Mill Complex

The Company initiated the contractor selection process for surface facilities and improvements on August 3rd when a pre-bid walk-through was conducted with local general engineering, excavation and concrete contractors. The walk-through was attended by at least 8 contractors with several indicating interest in bidding for the work following the walk-through. Sutter has established the following September milestones related to contractor selection and award:

- Demolition of existing temporary structures contract award and job completion
- Excavation and grading contract award for the Tailings Processing Area, SFU access road, employee parking and WRP construction and job start
- Installation of fire suppression water supply line contract award and job start
- Shop/Staff Service Building construction contract award
- Mineral Processing Facilities contract award and excavation start

Mine Schedule and Sequencing

Final review of the stope targets and sequencing with the input of newly appointed VP - Exploration and Geology, Steve Zahony is underway. This study will finalize the initial 13 stope panel targets and provide the final schedule to be included in the mining contract documents. To date, 17 potential mining contractors have been contacted, evaluated and ranked according to qualifications and availability. Of those, six candidates have been selected for inclusion in the contract bidding process. The underground mining contractors pre-qualified for the bid process include in no particular order; DMC Mining Services, Mark A Suden Mining Construction, Zereko Mining, Dumas Contracting Ltd., Mining and Environmental Services LLC and Procon Mining & Tunneling. Sutter and its consultants are drafting bid documents for the underground work including pre-production development work and production mining. The Company plans to complete bid documents for the underground work by October. This will allow ample time for the anticipated six months of pre-production development work planned to begin by year end.

Equipment Procurement and Related Savings

Sutter has purchased or secured by deposit major components, new and used, of the milling and select mobile equipment for the Project and has taken delivery of several items. The evaluation and selection of used equipment has been conducted with quality assurance/quality control as a guiding principal by Sutter and its consultant, Paul E. Danio Associates, an experienced mill designer, fabricator and operator. The following table summarizes major equipment purchases and associated savings to date. Based on the evaluation and selection process Sutter estimates that there will be approximately \$65,000 in residual used equipment refurbishment costs and delivery charges yet to be incurred and not included in the table. To date the Company has purchased or otherwise secured equipment representing approximately 25% of the equipment budget. Cost savings realized to date for the capital equipment purchases are significant, at approximately 40% below budget. Sutter is sourcing and acquiring additional equipment as necessary.

Lincoln Mine Project Equipment Savings to Date

Item Budget

(\$US) Actual

(\$US) Savings

(\$US)

12"x36" Pioneer Jaw Crusher	21,500	17,000	4,500
3'x8' Vibratory Screen*	6,500	-	6,500
4'x12' Belt Feeders (3)	36,000	28,500	7,500
6'x12' Marcy Rod Mill, complete	80,000	40,000	40,000
Krebs 10"x4" Hydrocyclone	7,500	3,500	4,000
Denver Equip Co. Flotation Cells (6), complete	130,000	45,000	85,000
3'x12' Marcy Regrind Ball Mill, complete	15,500	15,000	500
6', 6 disk Denver Co. Disk Filter	72,000	70,000	2,000
Assay Laboratory Equipment (90% Complete)	150,000	60,000	90,000
Ingersoll-Rand 750CFM Electric Air Compressors (4), complete	80,000	70,000	10,000
Cat 938 Front End Loader	140,000	85,000	55,000
Site Support Vehicles	26,000	24,300	1,700
Total	765,500	458,300	306,700

* included with jaw crusher

Permitting

Sutter continues to focus on the remaining permitting activities with particular emphasis on updating existing permits for changes in operations and equipment, construction-level permits (demolition, building and grading permits), air quality permits and the federal Clean Water Act Section 404 Permit and related permits and approvals to fill waters of the U.S.

With respect to the Section 404 Permit required to fill approximately 0.75 acre of waters of the United States, the Company submitted an application to the Sacramento District of the U.S. Army Corps of Engineers (USACE) in March, 2010. The USACE published the required public notice on June 17, 2011 to solicit comments from responsible agencies and interested parties. The USACE received only four responses including the US Environmental Protection Agency, which had no substantive comment, two adjacent landowners and one citizens group prior to the close of the public comment period on July 16, 2011. The Company, along with its consultants are working with the USACE to finalize the permit documents and obtain the Section 404 permit. In addition, the Company is working with other Federal and California State agencies with which the USACE consults or requires approvals to complete their process including routine water quality sampling and a tree survey of the minimal area to be impacted by the Project.

The Company retained SCS Engineers ("SCS"), a nation-wide firm with expertise in air quality permitting, to assist in obtaining the required Authority to Construct permit (ATC) for the project. Having completed a preliminary analysis of potential air quality impacts and permit requirements, the Company and SCS scheduled a pre-application meeting with the Amador County Air Pollution Control District (ACAPCD) in July 2011. Based on direction from ACAPCD and their consultant, Sutter is working with SCS to complete and file an ATC application by the end of August 2011. The ACAPCD has indicated that once the completed application package is submitted, they will carry out a completeness review within 30 days resulting in expected issuance of the ATC permit within approximately 60 days of the application submission.

As stated previously, Sutter obtained approval of preliminary architectural designs for the Mill Complex, Shop/Staff Services Building and ancillary structures from the Amador County Land Use Committee that allows final construction-level plans to be completed. Through the review process Sutter worked closely with the Committee, County Planning Staff and the public to provide information, including samples of building materials to demonstrate that the designs and materials were consistent with the existing Conditional Use

Permit for the Lincoln Project. This permit imposes specific requirements on the structures as they are located in an area of historic mining and visible from Old Highway 49, now a County road.

On August 10, 2011, Sutter received an amended Permit to Use Diesel Engines Underground from Cal-OSHA's Mining and Tunneling Unit. The Company had requested the amendment to remove certain equipment no longer used at the site and to add recently acquired mobile equipment. Although not requested by the Company, Cal-OSHA's Mining and Tunneling Unit also favorably amended the Underground Classification for the Lincoln Mine Project. The Lincoln Mine is now classified as "NonGassy with Special Conditions" by the Mining and Tunneling Unit, the Special Conditions requiring planned operation of positive mechanical ventilation and associated monitoring.

On July 12, 2011, the Environmental Health Department of the Amador County Land Use Agency approved a revised Onsite Sewage Disposal Permit for the Lincoln Mine Project. The permit allows for construction and operation of an engineered on-site system to dispose of domestic-quality waste-water that will be generated by the project as presently conceived.

As previously stated, the Company obtained a demolition permit from the Amador County Building Department on August 16, 2011. The permit allows for demolition of certain temporary structures that will be removed prior to construction of new surface facilities. Sutter is poised to work with Amador County Public Works Department and the Building Department to obtain the required grading and encroachment permits and building permits as soon as construction-level plans and specifications are finalized. Typically, grading permits are available within 10 days of submittal of an application. Building permits may require a similar time for approval, excepting complex structures that may require more time.

Warrants

Sutter has 12,794,994 warrants with an expiration date of August 22, 2011. Based on warrants already exercised the Company expects greater than 96% of the total warrants will be exercised on or before the expiration date resulting in proceeds of approximately C\$1.8 million that will be used for ongoing development of the Lincoln Project and corporate expenses.

About Sutter

Sutter is a growth-oriented exploration and development company preparing to become a North American gold producer. The Company has two projects: the Lincoln Project located in Amador County, California and the Santa Theresa Project located in the Northern Baja region of Mexico. Currently, the Company's primary focus is the evaluation and development of the Lincoln Project, beginning with the shallow portion of the Lincoln-Comet ore zone of the Lincoln Project, located on the California Mother Lode Gold Belt. The Lincoln-Comet and Keystone zones have a NI 43-101 compliant Indicated Resource estimate (completed in February 2008) of 612,400 tonnes (673,600 tons) grading 11.3 g/t Au (0.33 oz/ton) containing 223,000 ounces of gold and Inferred Resources of 2,161,700 tonnes (2,377,900 tons) grading 6.6 g/t Au (0.19 oz/ton) containing 458,900 ounces of gold.

Sutter currently controls approximately 3.6 miles of the Mother Lode of Amador County, with 90% of the property still unexplored. Potential exists both at depth and along strike of the known mineralized zones on both the footwall and hanging wall. The 120-mile long Mother Lode Gold Belt produced over 13 million ounces of gold historically with 7.9 million ounces originating from the 10-mile long segment between Jackson and Plymouth where the Lincoln Project is strategically located. Properties under the Company's control include seven historic mines with significant historic gold production totaling over 3.5 million ounces or 27% of the historic gold production from the Mother Lode. Historic mines located north and south of the Lincoln Project in the Jackson to Plymouth segment of the Mother Lode success fully mined gold to depths of 4,500 and 6,300 feet, respectively.

In Mexico, Sutter holds the rights to the geologically similar, high-grade El Alamo district of northern Baja, where historic mining to the water table produced mined grades of 30 to 60 g/t gold. Initial exploration with its joint-venture partner, Premier Gold, has demonstrated the extension of high-grade veins.

ON BEHALF OF THE BOARD OF DIRECTORS:

James Crombie, President, CEO & Director

Sutter Gold Mining Inc.

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Forward-looking information is subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, risks relating to: fluctuating commodity prices; calculation of resources, reserves and mineralization and precious and base metal recovery; interpretations and assumptions of mineral resource and mineral reserve estimates; exploration and development programs; feasibility and engineering reports; permits and licenses; title to properties; recent market events and conditions; economic factors affecting the Company; timing, estimated amount, capital and operating expenditures and economic returns of future production; operations and political conditions; environmental risks; and risks and hazards of mining operations. This list is not exhaustive of the factors that may affect any of the Company's forward-looking information. Forward-looking information about the future is inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking information due to a variety of risks, uncertainties and other factors. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information. The Company's forward-looking information is based on the assumptions, beliefs, expectations and opinions of management as of the date of this press release, and other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements and information if circumstances or management's assumptions, beliefs, expectations or opinions should change, or changes in any other events affecting such statements or information. For the reasons set forth above, investors should not place undue reliance on forward-looking information.

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