

Sutter Gold Announces New Major Shareholder and Restructures Debt

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Jul 4, 2014) - [Sutter Gold Mining Inc. \(TSX VENTURE:SGM\)\(OTCQX:SGMNF\)](#) ("**Sutter**" or the "**Company**") is pleased to report that Sutter and [Tyhee Gold Corp.](#) (TSX VENTURE:TDC) have entered into an agreement (the "**Implementation Agreement**") with RMB Australia Holdings Limited ("**RMB**") whereby, subject to certain conditions, Tyhee will acquire: all of the issued and outstanding shares of Sutter currently held by RMB and/or its affiliates; all of the issued and outstanding shares of Sutter that are to be issued to RMB by Sutter upon the proposed conversion of US\$8 million of RMB's current debt exposure to Sutter; and approximately US\$17 million of RMB's additional debt exposure to Sutter (the "**Transaction**"). Upon completion of the Transaction, Tyhee will hold approximately 73% of Sutter's issued and outstanding shares (on a non-fully diluted basis).

Sutter Gold

Sutter currently holds a number of precious metals properties in California, USA, including the permitted Lincoln underground mine near Sutter Creek, California, as well as a new, permitted processing facility, located near the entrance to the Lincoln Mine. In March 2014, the project was put on care and maintenance while certain production issues are being evaluated and the Company reduced costs due to capital constraints.

Sutter's assets cover 3.2 miles of what has been described as "the most productive portion" of California's famed, 120 mile long Mother Lode District. Sutter has established a National Instrument 43-101 compliant gold resource that reflects only a small area of the gold mineralization identified to date.

RMB

RMB Australia Holds Limited is a wholly-owned subsidiary of FirstRand Limited, a South African-based financial services group. RMB currently holds approximately US\$40 million in debt from Sutter as well as approximately 58.2 million (47%) of Sutter's approximately 123 million outstanding shares.

The Agreement

The Implementation Agreement, which will be filed under Sutter's profile on SEDAR, follows one year of extensive due diligence by Tyhee's management and technical team, including comprehensive discussions, site inspections and a review of Sutter's financial situation.

Upon consideration of Sutter's current financial difficulty and the determination that the Transaction will be financially beneficial to Sutter's operations, the board of directors of Sutter, upon recommendation of a special committee of independent directors, has approved the Transaction.

The Transaction would benefit both Tyhee and Sutter shareholders. In particular, benefits include:

- For Sutter, improved financial standing, with significantly improved liquidity and access to capital to properly capitalize completion of development of the Lincoln mine and mill to achieve commercial production. For Tyhee, enabling the execution of its strategy of building its production profile through additional acquisitions with near-term production potential;
- For Tyhee and Sutter, being transformed into a developing precious metals production company with gold production planned from Lincoln;

- For Tyhee and Sutter, significantly enhanced development and exploration upside across a diverse portfolio of precious metals properties, including the Keystone deposit in California as well as the large undeveloped gold resources (Feasibility Study - August 2012) at the Yellowknife Gold Project, NWT;
- For Tyhee and Sutter, utilizing Tyhee's highly experienced underground mining team that will be key to successful operations at Lincoln; and
- For Sutter, access to an expanded management team that includes complementary experience in exploration, development, operations, and financing.

The Transaction

Tyhee proposes to acquire certain of RMB's current interests in Sutter pursuant to the Implementation Agreement as follows:

1. Tyhee will acquire the current stock position of RMB and/or its affiliates in Sutter (58,216,820 common shares) at C\$0.02 per share, paid in cash on closing of the Transaction;
2. RMB will reduce its debt exposure to Sutter by US\$8 million, from no more than US\$40 million to no more than US\$32 million by converting the US\$8 million into 108,454,603 Sutter common shares at a deemed price of \$0.0788 per share. Tyhee will then acquire such shares at C\$0.02 per share, paid in cash on closing of the Transaction; and,
3. RMB will assign to Tyhee up to US\$17 million of RMB's debt exposure, with RMB continuing to retain a US\$15 million loan to Sutter, in consideration for the following:
 - a. 90 million Tyhee common shares issued from treasury;
 - b. US\$4 million in cash;
 - c. a covenant by Tyhee to consummate an additional financing to raise the remaining balance necessary to achieve commercial production of Sutter's Lincoln-Comet mine, to a maximum of US\$17 million; and
 - d. a covenant by Tyhee to cause Sutter to make interest payments, principal repayments, and mandatory prepayments on the retained US\$15 million loan from RMB to Sutter on a first ranking basis.

The Transaction does not require a shareholder approval of either Tyhee or Sutter.

Closing of the Transaction is subject to customary closing conditions, including receipt of the approval of the TSX Venture Exchange and any other regulatory approvals. In addition, the closing of the Transaction is subject to the completion of certain debt restructurings by Sutter, noted below, and the completion of a minimum of US\$15 million financing by Tyhee, also discussed below.

The Implementation Agreement contains a non-solicitation covenant on the part of RMB and Sutter, subject to customary fiduciary out provisions. The Implementation Agreement also provides Tyhee with the right to match any potential third party proposal. Sutter is permitted to terminate the Implementation Agreement under certain conditions, including the payment of a \$1.5 million break fee to Tyhee. In addition, Tyhee has agreed to pay a \$750,000 fee to RMB, if the concurrent financing is not completed on or before August 15, 2014.

Concurrent Financing

In connection with the Transaction, Tyhee intends to complete, through a previously announced (see Tyhee release dated November 26, 2013) special purpose vehicle (the "**SPV**"), a concurrent financing of a minimum of US\$15 million. The SPV would provide a loan or loans to Tyhee or its wholly owned US subsidiary (the "**SPV Loan**"). The SPV would issue convertible debentures having the following terms:

1. Face value: US\$1,000 denominations.
2. Term: Five (5) years.
3. Interest Rate: Eight (8) percent per annum, payable annually in cash or in ounces of gold, at the election of the holder of the convertible debenture.
4. Security: Secured against the assets of Tyhee NWT Inc., Tyhee's wholly owned Northwest Territories subsidiary.
5. Conversion: Principal to be convertible to Tyhee common shares at \$0.30 per Tyhee common share.
6. Redemption: Principal amount to be redeemable by Tyhee after 24 months, subject to payment of premium.

7. In addition, if at any time after 24 months from the issuance of the convertible debentures gold trades at greater than US\$2,000 per ounce for a period of 30 consecutive business days or more, the holder would have the option, subject to additional conditions to be determined, to convert the principal amount outstanding on the SPV Loan to gold, at the rate of one ounce for each US\$2,000 outstanding (delivery terms and timing of repayment remain to be determined), or payment in cash of an amount equal to the principal owing.

Terms of Loans to Sutter

1. US\$15 million loan from RMB to Sutter - RMB will retain a secured US\$15 million amortizing loan to Sutter. RMB and Sutter would amend and restate the terms of its existing US\$40 million debt facility to provide for the following terms:
 - a. US\$15 million principal amount;
 - b. interest at 12% per annum, capitalising until July 31, 2015 and paid monthly commencing on August 31, 2015;
 - c. repayment in up to 48 consecutive monthly installments of equal amounts, subject to certain conditions and adjustments, commencing on August 31, 2015; and
- a. such loan would be senior secured debt to Sutter and any other Sutter debt would be fully subordinated on terms satisfactory to RMB.
1. Approximately US\$17 million note payable by Sutter to Tyhee - RMB will assign to Tyhee US\$17 of existing indebtedness owing under the promissory note dated December 31, 2013 issued by Sutter to RMB and Tyhee and Sutter will enter into a new promissory note on terms similar to RMB.
2. Funds to Restart Production - Further advances ("**Tyhee Advances**") to Sutter by Tyhee or its related entities would be made up to US\$17 million on the same terms as the SPV Loan that would be provided to Tyhee, except that (i) interest on Tyhee Advances would accrue at 12% per annum; and (ii) security for the Tyhee Advances will be equal ranking to the Tyhee note described above.

Denis Taschuk, Tyhee's Chairman of the Board, said, "Given the many challenges facing the junior resource sector, we are particularly pleased with both the potential we see with this agreement and the support for our company's capabilities from both RMB and Sutter's Board. This has taken a great deal of work to get us to this point and we are confident that this represents a tremendous opportunity to generate significant value for all of the stakeholders involved."

Mark T. Brown, Sutter's Chairman of the Board, said, "Despite the issues we have had with an orderly development and the difficulties of raising funding given Sutter's financial position, we have always had confidence in the Lincoln project. Our number one priority over the last many months has been to secure the additional investment needed to achieve commercial production. We are supportive of RMB and Tyhee's transaction, which will provide both the funding and technical/operational expertise to make Lincoln a success, aligning all parties' interests. We look forward to working with Tyhee to meet our common objectives."

Tyhee CEO, Brian Briggs stated, "The blending of Tyhee's operational talent and the remaining management at Sutter will provide an excellent team capable of executing our comprehensive turn-around plan and to bringing the Lincoln Mine into production in the coming months. In addition to the near term potential of Sutter's assets, we see the opportunity to build the next, long term gold producer in one of the richest trends in America."

About Sutter

Sutter has two projects: the Lincoln Project located in Amador County, on the California Mother Lode Gold Belt, and the Santa Theresa Project located in the Northern Baja region of Mexico. Currently, the Company is completing the mill construction and underground development of the Lincoln Mine Project, beginning with the shallow portion of the Lincoln-Comet ore zone. The Lincoln-Comet and Keystone zones have a NI 43-101 compliant Indicated Resource estimate (completed in February 2008). Sutter currently controls approximately 3.6 miles of the Mother Lode of Amador County, with 90% of the property still unexplored.

In Mexico, Sutter holds the rights to the geologically similar, high-grade El Alamo district of northern Baja.

Forward-Looking Statements

This news release contains "forward-looking information" under Canadian securities law. Any information that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words such as "expect", "anticipate", "believe", "plans", "estimate", "scheduling", "projected" or variations thereof or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking information. Forward-looking information relates to, among other things: the price of silver and gold; the accuracy of mineral resource and mineral reserve estimates; the ability of the Company to finance its operations and capital expenditures; future financial and operating performance including estimates of the Company's revenues and capital expenditures and estimated production.

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.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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