ATLANTA GOLD INC.
2009 ANNUAL REPORT

This discussion and analysis of financial position and results of operations of Atlanta Gold Inc. (the "Company") and its subsidiaries for the year ended December 31, 2009 has been prepared as of March 10, 2010. The discussion below should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2009. The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in financial tables, except per share amounts, are expressed in thousands of Canadian or U.S. dollars unless otherwise indicated.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This document includes "forward-looking information" and "forward-looking statements" (collectively, "forward-looking information"), within the meaning of applicable securities legislation, concerning the Company's business, operations, financial performance, condition and prospects, as well as management's objectives and strategies. Forward-looking information is based on assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors which the Company believes to be relevant and reasonable in the circumstances.

Forward-looking information is frequently identified by the use of words such as "may", "will", "could", "believe", "intend", "expect", "seek", "anticipate", "plan", "continue", "estimate", "predict", "potential" and similar terminology suggesting outcomes or statements regarding an outlook. Forward-looking information is included in the "Outlook" section of this MD&A as well as elsewhere in this document. Specifically, this document contains forward-looking information regarding, among other things, the effects of the Company's mining strategy on gold recovery rates and the environmental impact at its Atlanta project; the expected enhancement of the gold resource at Atlanta following completion of additional exploration; the development of a gold mine and potential gold production levels at Atlanta; the relevance of historical tungsten production at Atlanta; the completion of additional sampling and metallurgical testing of by-products at Atlanta and the potential of such by-products to reduce the net costs of mining and processing of the gold resource; the completion of advanced scoping and pre-feasibility studies on the Atlanta project, the timing and parameters thereof, including in respect of production levels and life-of-mine estimates; the extent, nature, targets and objectives of the Company's 2010 exploration program; the completion, size, timing of and use of proceeds from future financings and the adequacy thereof to complete the Company's objectives for 2010; the continuance and enhancement of environmental initiatives; the continuance of developmental initiatives including securing requisite permits; the impact on the Company of the asset acquisition from and the agreements in principle with Newmont USA Limited, the subsequent completion of the transactions contemplated thereby and the relocation of the acquired assets to the Atlanta project; the effect of the acquisition of a net smelter return royalty on the economics of the Atlanta project; and the time needed prior to commencement of mining and production at Atlanta.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual events and the Company's actual results to differ materially from those predicted, expressed or implied by the forward-looking information and readers are cautioned not to unduly rely on such forward-looking information and to carefully consider the risks and uncertainties involved with respect to such forward-looking information. Such risks and uncertainties include, but are not limited to, the Company's limited financial resources and its ability to raise sufficient funds on a timely basis to fund the capital and operating expenses necessary to achieve its business objectives and to continue as a going concern; risks associated with the mining industry (including operational risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; uncertainties relating to the interpretation of the geology, continuity, grade and size estimates of the mineral reserve and resource estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain and the expected time to obtain all permits, consents or authorizations required for its operations and activities; and health, safety and environmental risks), adverse weather conditions, and the risk of fluctuations in gold prices and foreign exchange rates . Further information on the risks and uncertainties is described herein under "Uncertainties and Risk Factors" and in the Company's 2009 Annual Information Form under "Risk Factors".

Such forward-looking information is based on a number of assumptions, including but not limited to, the successful and timely completion of the additional financings described herein, the expected timelines necessary to complete and the successful completion of the exploration, development, permitting and pre-production activities, the level and volatility of the price of gold, the accuracy of reserve and resource estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which they are based, the ability to achieve capital and operating cost estimates and general business and economic conditions. Should one or more risks materialize or should any assumptions prove to be incorrect, then actual results could vary materially from those expressed or implied by the forward-looking information.

Readers are cautioned that the foregoing list of risks, uncertainties, assumptions and other factors is not exhaustive. The Company undertakes no obligation to update publicly or revise any forward-looking information or the foregoing list of factors, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

OVERVIEW

The Company is engaged in the exploration and development of the Atlanta Gold project ("Atlanta"), an advanced-stage gold property near Atlanta, Idaho, U.S.A.

In early 2008, the Company changed the mining strategy for Atlanta from bulk mining and cyanide heap leaching, to a combined shallow open-pit and underground operation with an on-site milling facility with no cyanide circuit. This new mining strategy will produce both a gravity concentrate and a precious metal rich sulphide concentrate to be custom smelted. It will also reduce the environmental footprint by 95% and increase expected metal recovery rates from 63% to 90%. Each of these improvements is critical to the sustainable development of the Atlanta gold mine.

This more selective method of ore extraction positively addresses environmental concerns identified during previous permitting efforts. Management is confident that by continuing to work closely with environmental groups, the town of Atlanta and surrounding communities, federal, state and local agencies as well as other stakeholders, it will be successful in obtaining the regulatory approvals necessary to develop a combined shallow open pit and underground mine at Atlanta in a timely manner.

The Company continues to hold other lower priority exploration properties including the Abitibi gold property in eastern Quebec ("Abitibi"), the Jackson Inlet diamond property on the Brodeur peninsula of Baffin Island ("Brodeur") and the Torngat diamond property located in Northern Québec ("Torngat"). Details and a discussion of the Abitibi and Brodeur properties are included in the "*Capital Expenditures*" section below.

HIGHLIGHTS FROM OPERATIONS - 2009

In 2009, the Company entered into the following agreements:

1. In the second quarter of 2009, the Company reached agreements in principle with Newmont USA Limited for the purchase by the Company in exchange for common shares of the Company of U.S.$1.5 million of plant and equipment from and for the future sale of concentrate to be produced at Atlanta to Newmont USA Limited. A formal agreement for the initial purchase of U.S.$1 million of the assets was reached during the fourth quarter of 2009 and that purchase was completed in February 2010. Management believes that these agreements will greatly assist the Company's efforts to advance development of Atlanta towards production, as they provide infrastructure on favourable terms necessary to advance development of Atlanta, allow the Company to conserve cash, significantly reduce the Company's future capital costs, support the Company's continuing financing efforts, and secure a market for its concentrate. Please refer herein to *"Agreements with Newmont USA Limited"* for further particulars.

2. Also in the second quarter of 2009, the Company renewed its lease and option to purchase a strategically significant 658.9 acre property located at Atlanta for a further two years as set out in the "Contingencies and Commitments" section.

3. In the third quarter of 2009, the Company purchased one-half (1%) of an existing 2% royalty on Atlanta in exchange for the issuance of 5,750,000 common shares and total cash payments of US$200,000 to be paid over 15 months. The purchase of this royalty is another positive step in the Company's strategy to optimize the economics of the Atlanta project. Please refer herein to *"Agreement with Canadian American Mining Company LLC"* for further particulars.

In addition, in 2009 the Company also achieved the following:

- Completed an updated National Instrument 43-101 ("NI 43-101") compliant Technical Report and Resource Estimate (the "NI 43-101 Technical Report') for Atlanta which confirmed a 48.4% increase in Measured and Indicated Resources since the end of 2007. The NI 43-101 Technical Report estimated the total Measured and Indicated resource for Atlanta to be 3.0 million tons above cut-off grades of 0.05 ounces per ton (opt) gold for the mini-pit resource and 0.10 opt gold for the underground resource with an average grade of 0.154 opt gold and 0.357 opt silver, that contain 460,300 ounces (13,049,300 grams) of gold and 1,069,600 ounces (30,322,600 grams) of silver, respectively, or approximately 474,900 equivalent ounces (13,463,200 grams) of gold (including silver resources as a gold equivalent). A copy of the NI 43-101 Technical Report is available on SEDAR at www.sedar.com.

- Exploration at Atlanta is ongoing and continues to outline additional deposits that will be incorporated in the mine plan at the appropriate time. Therefore, the NI 43-101 Technical Report should not be used as a definitive measure of the ultimate economic potential of Atlanta.

- Excavated and sampled additional trenches in the East Monarch and East Extension covering an area 100 feet (30 metres) north and 100 feet (30 metres) south of the Atlanta Shear Zone, and the area of the Shear Zone from the Monarch shaft to the 700-foot (213-metre) level of the East Extension above the 600 portal. In the area between the trenches and 100 feet (30 metres) north and south of the trenches, the A, B, and C soil horizons were sampled on 25-foot (8-metre) centres. More than 95% of returned sample analyses have indicated the presence of anomalous gold.

  There are additional trenches in the west end of the Idaho zone to the Buffalo shaft in the east. A total of 14 trenches with an average length of 100 feet (30 metres) were excavated for a total of 1,400 feet (427 metres) of trenching in the west Idaho area to a depth of up to 12 feet (4 metres). These trenches have not been sampled.

- Completed six NQ diamond core drill holes to an average depth of approximately 500 feet (152 metres) for a total of 3,040 feet (927 metres).

- Submitted 1,000 trench and soil samples for assay, with approximately 1,000 additional samples to be prepared for assay.

- Rehabilitated and re-established the portal of the historic 900 Adit replacing timber sets with steel sets and expanding the entry to 10 feet (3 metres) high by 13 feet (4 metres) wide, and secured 200 feet (61 metres) of the crosscut.

- Submitted the draft Plan of Operations (POO) for rehabilitation of the historical 900 Adit and crosscuts, which has been accepted by the U.S. Forest Service.

- Upgraded the 900 Pilot Water Treatment Facility (PWTF#1) including repositioning and commissioning of piping and other related infrastructure.

- A draft PWTF#1 POO is in progress which includes the proposed excavation and establishment of a 250,000-gallon pond. This additional capacity will increase residential storage time to facilitate removal of suspended solids.

- Received from the U.S. Environmental Protection Agency NPDES Permit#ID-G91-0006 for the water discharge from the historic 900 Adit.

- Received from the Idaho Department of Environmental Quality a §401 Clean Water Act Permit.

- Raised total proceeds of $4,317,600 in 2009 ($867,600 in the first quarter and $3,450,000 in the fourth quarter of 2009).

Based on a compilation of geological and geochemical data to December 31, 2008, the Company has outlined approximately 460,300 Measured and Indicated ounces or 474,900 equivalent ounces (including silver resources as a gold equivalent) (13,049,300 Measured and Indicated grams; 13,463,200 equivalent grams) as follows:

	GOLD				SILVER				
Area	Cut-Off Grade (opt)	Gold Grade (opt)	Tons (000's)	Ounces of Gold (000's)	Ratio of Silver to Gold Ounces	Ounces of Silver (000's)	Price Factor (2) Gold Price / Silver Price	Equivalent Ounces of Gold (000's)	Total Equivalent Ounces of Gold (6) (000's)
Mini-Pit Resource:									
East and West Monarch (1)	0.05	0.111	419.3	46.4	4.28	198.6	73.7	2.7	49.1
Idaho (1)	0.05	0.060	82.3	4.9	4.28 (4)	21.1	73.7	0.3	5.2
Total Mini-Pit Resource		0.095	501.6	51.3	4.28	219.7		3.0	54.3
Underground Resource:									
Monarch and Idaho (1)	0.10	0.161	2,125.8	343.3	2.02	797.7	73.7	10.8	354.1
East Exension (5)	0.10	0.177	370.5	65.7	0.80	52.5	73.7	0.7	66.4
Total Underground Resource	0.10	0.164	2,496.3	409.0	1.81	850.2	73.7	11.5	420.5
Total Resource		0.154 (3)	2,997.9	460.3	2.12	1,069.9		14.5	474.9

(1) Based on a compilation of the same input data used for the 2007 Technical Report which is Canadian National Instrument 43-101 ("NI 43-101") compliant.
(2) Price Factor, using closing prices as of the close of business on November 3, 2008 on New York Globex is 73.70 (US$722.00 per ounce of gold / US$9.79 per ounce of silver).
(3) Average grade of gold per ton = 0.154 ounces per ton (460,300 ounces / 2,997,900 tons)
(4) Estimated ratio of silver to gold ounces.
(5) The resource for the East Extension is a total resource. It has not been decided with certainty whether the East Extension area can be mined by open pit methods or underground or both.
(6) The number of equivalent ounces of gold is calculated by dividing the ounces of silver by the Price Factor of 73.7 and adding the result to the ounces of gold. The average grade of gold equivalent (including silver resources as a gold equivalent) per ton = 0.158 ounces per ton (474,900 ounces / 2,997,900 tons).

The updated internal resource estimate for the Atlanta gold project was based on 692 diamond core and reverse circulation ("RC") drill holes, covering an approximate 11,400-foot (3,475-metre) strike length, over a 100-120 foot (30-37 metre) width (plan view) and to a vertical depth of approximately 1,800 feet (550 metres). The deposit remains open along strike and to depth. This internal resource estimate substantiates that a significant near-surface and underground resource remains at Atlanta, with the potential to further expand that resource.

The resource estimate was calculated by William (Bill) L. Josey (who was then the Company's Chief Geologist and designated "Qualified Person" under NI 43-101) assisted by J. Ed. Switzer, a consulting engineer. Mr. Josey is a registered professional geologist in the State of Arizona. Mr. Switzer is a mining engineer who retired from Kennecott Minerals Company and generates our geostatistical block models.

Prior drilling from the surface in 1991 and underground drilling in 1994 on the 900 Adit (elevation 6,090 feet [1,856 metres] above mean sea level) in the East Extension identified the Glaspey underground resource. The Company believes that this target has the potential of containing up to 285,500 tons at 0.356 opt (12.2 grams per tonne) Au for a total of up to 101,600 ounces (113,700 equivalent ounces) (2,880,300 grams; 3,223,338 equivalent grams) of gold. This historical estimate pre-dates NI 43-101, is not NI 43-101 compliant and should not be relied upon but provides an interesting target for further exploration. Our current geological modeling and geostatistical block modeling have identified, as reported in the NI 43-101 Technical Report, a total Measured and Indicated resource of 65,700 ounces (66,400 equivalent ounces) (1,862,600 grams; 1,882,400 equivalent grams) of gold in the East Extension. Inferred mineral resources are considered too geologically speculative to be categorized as Measured and Indicated resources and have therefore been excluded from our geological modeling.

There has been no additional underground drilling or sampling in the East Extension since 1994. The Company's drilling in 2007 and 2008 defined resources that could be mined from shallow open pits and are reflected in the above table. The Company expects that underground drilling will enhance the overall resource. The Company also intends to do more drilling from the surface in the East Extension in 2010.

Based on a recent review of historical mining records, the Company has determined that, in addition to the gold and silver mineralization in the 11,400-foot (3,475-metre) long, 30 to 120-foot (9 to 37-metre) wide Atlanta Shear Zone, tungsten was mined at Atlanta in the 1940s. From April 1, 1942 to July 31, 1943, the Talache mill which was located on the Atlanta property processed 363,615 pounds of tungsten concentrate which contained 37,835 pounds or 10.41% tungsten trioxide (WO_3) extracted from 16,895 tons of ore. The table below shows the historical monthly production reports from the Talache mill.

HISTORICAL PRODUCTION REPORTS FROM TALACHE MILL *									
		Assay		Pounds WO_3			Concentrates		
Report Date	Tonnage	Heads	Tails	Heads	Tails	Recovery %	Pounds	WO_3 %	WO_3 Pounds
1942									
April 30	957	0.100	0.020	1,848.0	418.6	80.0	23,028	6.20	1,428
May 31	1,452	0.080	0.020	2,317.2	673.5	70.8	12,615	13.00	1,640
June 30	1,258	0.090	0.026	2,334.4	694.5	70.2	16,988	9.60	1,631
July 31	1,156	0.237	0.066	5,481.6	1,533.4	72.0	26,329	15.00	3,949
August 31	1,108	0.207	0.034	4,604.0	766.5	83.4	21,414	17.92	3,837
September 30	1,326	0.185	0.041	2,915.6	1,096.8	77.7	24,603	15.50	3,813
October 31	1,842	0.146	0.022	5,412.0	793.0	85.3	41,908	11.00	4,610
November 30	2,603	0.167	0.027	8,725.4	1,408.8	83.8	60,433	12.10	7,312
December 31	1,974	0.161	0.034	6,393.9	1,445.4	77.4	45,502	10.87	4,946
1943									
January 31	2,174	0.109	0.035	4,763.0	1,507.7	68.3	53,103	6.10	3,239
February 28	915	0.103	0.036	1,891.7	659.8	65.1	34,051	3.60	1,226
July 31	131	0.110	0.038	302.8	99.4	67.0	3,641	5.58	203
Total	**16,896**						**363,615**	**10.41**	**37,835**

* Source: Daily and Accumulative Mill Report, Monarch Greenback LLC histroical records

Based on whole rock chemical analyses conducted by ACZ Laboratories in 2004, 106 samples taken from the Monarch and Idaho Pits areas and dump sites returned an average of 114.4 ppm or 0.0114% tungsten (W) with the highest anomaly at 279 ppm (0.0279%) and the lowest at 2.3 ppm (0.00023%). In 1990, the Company had two thin sections of DH-386 examined for mineralogy and analyzed by Skyline Labs, Inc. for tungsten (W). One of the thin sections contained greater than 10,000 ppm (greater than 1.0%) tungsten (W). The other thin section had 160 ppm (0.016%) tungsten (W).

The data regarding a tungsten by-product is historical in nature, predates NI 43-101 requirements and has not been reviewed by a qualified person compliant with NI 43-101. Historical production does not guarantee future production or the discovery of a resource. However, the Company believes that these historical results provide an indication of Atlanta's tungsten potential and are relevant to ongoing exploration.

The Company has initiated a comprehensive program of sampling to provide a better understanding of the distribution, average content and metallurgical recovery of a suite of 50 potential by-products, including tungsten at Atlanta. In February 2010, an initial batch of 57 random samples from six drill holes was sent to a recognized ISO 9001: 2008-certified external laboratory (Inspectorate America Corporation of Sparks, Nevada, U.S.A. ("Inspectorate")) and analyzed for 50 elements by Inductively Coupled Plasma Multi Spectrum (ICP-MS) and / or four acid digestion (4A). In addition, duplicates, blanks, and standards were analyzed to ensure analytical accuracy and reproducibility. For the 10 most significant elements which were present in all six drill holes, the high, low and average quantities (in parts per million, or ppm) detected using the ICP-MS/4A methods for the sample analyses are provided in the table below:

Element	Symbol	Units	High	Low	Average
Cerium	Ce	ppm	160.0	32.0	114.0
Germanium	Ge	ppm	6.4	1.9	4.3
Niobium	Nb	ppm	18.0	6.7	11.6
Rubidium	Rb	ppm	220.0	74.0	135.0
Scandium	Sc	ppm	5.6	2.0	4.0
Selenium	Se	ppm	2.3	0.1	0.7
Tantalum	Ta	ppm	1.8	0.3	0.7
Titanium	Ti	ppm	0.2	0.1	0.2
Vanadium	V	ppm	56.0	35.0	45.9
Wolframite (Tungsten)	W	ppm	110.0	2.0	18.68

The geochemical and assay techniques used by Inspectorate are not meant as a final determination of recoverable by-products and more sampling will be required to assess the potential of the above elements as by-products. Samples from future drilling will be routinely assayed for these elements, and investigations will be undertaken to establish correlations between concentrations of these elements and gold. Future sampling to determine recoverability of these elements will also be conducted using metallurgical methods. If metallurgical testing shows that certain elements can be efficiently recovered, the proceeds from the relevant by-products may make a significant contribution to the net smelter return value of the Atlanta gold resource and reduce the future cash costs of mining and processing.

PLAN FOR OPERATIONS - 2010

During the first quarter of 2010, the Company engaged P&E Mining Consultants Inc. ("P&E") of Brampton, Ontario to complete an independent National Instrument 43-101 Technical Report and Pre-Feasibility Study (the "Study") for the Atlanta Gold Project.

The Study is based on a pilot-scale mining operation which assumes that the Company will mine only the Measured and Indicated resource identified in the NI 43-101 Technical Report. The Company plans to continue expanding and upgrading this resource in 2010. The Study will be based on a combined shallow open pit (2 shallow open pits) and underground mining operation expected to produce approximately 272,000 tons of ore per year, and envisions production and sale of smelter-grade gold and silver concentrate to a smelter in Nevada. In conjunction with the Study, the Company is developing a business plan which contemplates initial annual production estimated to be 40,000 ounces (1,134,000 grams) of gold through the use of an 800-1,200 ton per day dual circuit mining and gravity-flotation milling operation. The Study is designed to review and confirm the existing mineral resource estimate, determine preliminary designs, estimate capital and operating costs for a shallow open pit and underground mine with different ore and waste production rates. The Study will include a financial analysis based on reasonable assumptions about each of the foregoing factors and other technical and economic factors. This Study will be the first one to apply current economics to a combined shallow open pit and underground mine operation at Atlanta.

To facilitate the transition to a Pre-Feasibility Study, P&E will also complete an independent Advanced Scoping Study in 2010 for a combined open pit and underground operation at Atlanta. This Scoping Study will include preliminary mine and plant design, capital and operating cost estimates, metallurgy, environmental studies and permitting in detail. P&E will also provide a detailed analysis of historic exploration data including a comprehensive 3-Dimensional model of the 11,400-foot (3,475-metre) long, 30-120-foot (9-37-metre) wide surfaced expression of the Atlanta Shear Zone which extends from surface to a known vertical depth of 1,850 feet (564 metres) with numerous splays branching off to the northwest and southeast of the main Shear.

Based on a nominal production rate of 800 tons of ore per day or 272,000 tons of ore per year, average annual production over the 12-year mine life is forecast to be 40,000 ounces of gold contained in 11,000 tons of concentrate. Subject to timely receipt of adequate funding, and requisite permits, the Company plans to begin mining at Atlanta in the third quarter of 2011 and produce concentrates in the fourth quarter of 2011. If the Company experiences delays in obtaining sufficient funding or the requisite permits, the Company's timeline for commencement of mining operations and production may be adversely affected.

The Company plans to undertake in 2010 a major exploration program at Atlanta. Positive results from exploration programs to date demonstrate the presence of a significant gold mineralized system which remains open in all directions. An aggressive follow-up exploration program is warranted. The Company intends to finance the $6.5 million exploration program from cash on hand and with the proceeds from future equity financings. The timing and the extent of drilling, exploration and other activities for 2010 are also dependent upon availability of additional funding. In addition to seeking additional funding, the Company is continuing measures first implemented during the first quarter of 2009 aimed at reducing general and administrative and project expenditures.

The Company's exploration objective is to increase the gold mineral resource inventory at Atlanta by 125,000 ounces (3,544,000 grams) from the current 475,000 to approximately 600,000 equivalent ounces (13,466,000 to 17,009,700 grams) of gold by the end of 2010 by:

a. increasing the size of the near-surface, shallow open-pit resource which can be mined at a relatively low cost;

b. completing infill drilling to upgrade the resource status of the sparsely-drilled higher-grade (0.35+ ounce-per-ton) (12.0+ gram per ton) zones found between the Monarch and Idaho areas in the west and the East Extension area in the east at the 900-1,200 foot horizon; and

c. increasing the confidence in the continuity between these higher-grade zones.

To complete all of its planned expenditures to December 31, 2010, the Company estimates that its total funding requirement will be approximately $11.0 million. Subject to completion of additional intermediate-term funding of $6.5 million, the following planned exploration program will include 37,000 to 55,000 feet (11,000 to 17,000 metres) of diamond drilling that will commence in April 2010 with the mobilization of two drills working six days per week on 10- to 12-hour rotating shifts:

- complete 15,000 to 33,000 feet (4,500 to 10,000 metres) of core drilling to an intermediate depth of 1,200 feet (400 metres) on the East Extension and Monarch areas to seek extensions to the higher grade drill intercepts in the Newmont and Glaspey zones. The 2,000-foot (600-metre) distance between these highly prospective zones is underexplored as previous programs focused on shallower, potentially open-pitable mineralization;

- complete 10,000 feet (3,000 metres) of shallow infill core drilling to a depth of 400 feet (122 metres) on the East Extension, West Monarch and Idaho zones to confirm the surface findings and delineate continuity and grade of the gold-silver mineralization;

- continue rehabilitation of the first 800 feet (244 metres) of the historic 900 Adit and, if warranted, rehabilitate the next 1,475 feet (450 metres) of the 900 Adit;

- complete a 12,000-foot (3,658-metre) underground drilling program from the rehabilitated 900 level drift to expand the Glaspey zone (below the East Extension) in at least two directions;

- survey, sample and assay 1,400 feet (427 metres) of trenches, log, sample and assay six drill holes, and sample and assay approximately 1,000 soil samples to further evaluate the near surface potential of the Atlanta Shear Zone. The 2008 and 2009 trenching programs exposed and identified significant gold-bearing mineralization in 95% of the returned samples; and

- continue to evaluate the economic potential of mining and processing by-products from the Atlanta Shear Zone.

The Company has secured the environmental permits needed to complete the above drilling programs.

Environmental and development-related initiatives for 2010 include:

- redesign, excavate and expand the capacity of the reclamation ponds at the 900 Adit to enhance environmental performance;

- continue enhancement of Atlanta's environmental performance, including ongoing removal of naturally-occurring arsenic from historic water effluents;

- continue collaboration with local communities, environmental, regulatory and other stakeholders;
- secure economic, environmental and technical studies and water rights and permits required to advance the project to production;
- evaluate alternative sites to accommodate infrastructure related to the Atlanta project; and
- dismantle and relocate the property, plant and equipment purchased from Newmont to Idaho.

The Company continues to pursue several alternative sources of funding which may include equity and / or debt components. Assuming that short and intermediate term financing aggregating $11.0 million is obtained in a timely manner, the Company expects to increase the mineral resource inventory at Atlanta to 600,000 equivalent ounces of gold by December 31, 2010, and subject to receipt of requisite permits, to remain on schedule to commence mining at Atlanta in the third quarter of 2011, and to produce concentrates in the fourth quarter of 2011.

Like all similar mining projects, Atlanta has its challenges but the combination of a proven record of historical production, a Shear Zone with an 11,400-foot (3,475-metre) long, 30-120-foot (9-37-metre) wide surfaced expression, a known vertical depth of 1,850 feet and numerous splays branching off to the northwest and southeast of the main Shear, significant depth and multi-million ounce potential, presents what management believes to be an outstanding value proposition.

AGREEMENTS WITH NEWMONT USA LIMITED

Having reached an agreement in principle in the second quarter of 2009, the Company's wholly-owned subsidiary, Atlanta Gold Corporation ("Atlanta Gold") in the fourth quarter entered into a definitive agreement with Newmont USA Limited ("Newmont"), a wholly owned subsidiary of Newmont Mining Corporation, to purchase certain fixed assets, including a building, four 2,200-horsepower generators, and two water treatment plants and other equipment. The transaction was completed on February 1, 2010 and the Company issued 4,535,600 common shares in satisfaction of the US$1 million purchase price.

The Company continues to improve the health of the Boise River by voluntarily treating 2 to 2.5 million gallons (7.6-9.5 million litres) of water per month to remove naturally-occurring arsenic before allowing the water to discharge into Montezuma Creek which in turn flows into the Middle Fork of the Boise River. The water treatment plants purchased from Newmont will provide an ideal expansion and extension of environmental initiatives implemented by the Company. One of the water treatment plants has the capacity to treat 10,000 gallons (37,850 litres) per minute and further reduce arsenic levels.

The electrical generators purchased from Newmont are expected to provide sufficient electricity to operate the Atlanta gold mine and complement local area power generation.

In the second quarter of 2009, Newmont also agreed in principle to sell up to an additional US$500,000 in plant and equipment to be agreed upon. Newmont also agreed in principle to purchase and process the gold-silver concentrate to be produced from Atlanta on terms to be negotiated. At the pilot-scale Atlanta mill, ore containing gold and silver will be crushed to a coarse size and then transported from the mine to an on-site concentrator, where it will be finely ground and then treated by successive stages of flotation, resulting in a filter concentrate expected to contain approximately 2 to 3 ounces of gold per ton of concentrate. Gold recovery is expected to be 90%, using conventional milling, gravity separation and flotation techniques to produce the concentrate. The gold-silver concentrate will be delivered for final treatment to Newmont's concentrate autoclave plant in Nevada which is within a one-day return trucking distance from Atlanta, Idaho.

The Company believes that completion of these transactions with Newmont represents a very important milestone for the Company as they will secure a market for the Company's concentrate, provide necessary infrastructure on favourable terms to advance development of Atlanta Gold, allow the Company to conserve cash, significantly reduce the Company's future capital costs and support the Company's on-going financing efforts.

AGREEMENT WITH CANADIAN AMERICAN MINING COMPANY LLC

On September 23, 2009, the Company purchased from Canadian American Mining Company LLC ("CAMC") a 1% net smelter return ("NSR") royalty on Atlanta's production. The Company issued 5,750,000 common shares and agreed to pay US$200,000, payable in monthly instalments until January 2011. The unpaid cash balance of the purchase price is secured against future royalty payments. The Company first issued a 2% NSR royalty to CAMC in 2003 when it acquired CAMC's 20% joint venture interest in Atlanta.

OVERVIEW OF FINANCIAL RESULTS

Equity Financing

During the first quarter of 2009, the Company raised gross proceeds of $867,600 (net of share issue costs of $32,000) by completing a non-brokered private placement of 8,676,000 common share units ("Units") at $0.10 per Unit, with each Unit consisting of one common share of the Company and one half of one common share purchase warrant. Each full warrant ("Warrant") is exercisable at $0.25 per share for up to 24 months, with the Company having the right to accelerate the expiry date of the Warrants if the closing price of the Company's common shares exceeds $0.50 for twenty consecutive trading days on which the Company's shares trade.

During the fourth quarter of 2009, the Company completed an equity financing at a price of $0.12 per share for gross proceeds of $3,450,000 (net of share issue costs of $190,000). Insiders of the Company purchased a total of 9,133,333 common shares, which represented approximately 31.8% of the total offering. Proceeds from the placement are being used to provide short-term funding for permitting, exploration and development expenditures at Atlanta, and for general working capital purposes. Management believes that this financing, together with the timely completion of additional equity or debt financing in 2010, will enable it to substantially achieve its objectives for 2010 and remain on track for commencement of mining at Atlanta in the third quarter of 2011 and production of concentrate in the fourth quarter of 2011.

In November 2009, the Company's common shares commenced trading on the TSX Venture Exchange following their delisting from the Toronto Stock Exchange in October 2009 for failure to meet that Exchange's continued listing requirements. The change in listings did not materially impact the Company's ability to complete an equity financing in November 2009.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as at December 31, 2009 were $1,407,000 compared to $418,000 as at December 31, 2008. The increase of $989,000 from that at the end of the prior year primarily reflects the completion of the equity financings in February and November 2009. Working capital was $1,400,000 as at December 31, 2009, which compares favourably to working capital of $30,000 as at December 31, 2008.

The economic downturn adversely impacted the Company's share price and limited its fund-raising ability. Although the Company raised approximately $4,317,600 in equity financings in 2009 in very difficult financial markets, there were delays in obtaining these financings, which caused the Company to operate on a more restrained basis. These restraints have delayed the anticipated commencement date for mining at Atlanta until the third quarter of 2011. The Company previously had reviewed all discretionary expenses and implemented a cash conservation plan, which included a voluntary reduction in management salaries. This plan will require short-term funding of approximately $2.5 million to maintain Company operations at a reduced level with a smaller workforce, complete the Advanced Scoping Study, rehabilitate the first 800 feet of the 2,275-foot long historic 900 Adit, continue with environmental improvements and community support initiatives and incur sufficient expenditures to meet minimum contractual commitments at Atlanta to June 30, 2010.

OPERATING CASH FLOW

Cash flow used in operations before changes in non-cash working capital items for the year ended December 31, 2009 was $1,199,000 compared to $1,616,000 for the prior year ended December 31, 2008. The decrease in cash flow used from year to year is mainly attributable to a concerted effort to reduce overhead administrative expenses, including reducing salaries and the expenses for head office premises in 2009. Non-cash working capital for the year resulted in a cash outflow of $369,000, compared to an outflow of $1,942,000 for the same period in 2008, since a significant portion of funds raised in December 2008 was used to repay trade payables due to Atlanta suppliers and contractors.

FINANCING AND INVESTING ACTIVITIES

Cash inflows from equity financing activities (net of transaction costs) for the year ended December 31, 2009 were $4,092,000 compared to $7,622,000 in 2008. Cash outflows for investing activities for the year ended December 31, 2009 were $1,536,000 (2008 - $3,892,000), of which approximately $1,459,000 was incurred for expenditures on Atlanta, representing a decrease of $2,035,000 from similar expenditures incurred in the prior year, reflecting the cautious approach to expenditures in 2009 pending completion of an additional financing, which occurred in November 2009 .

EQUITY

As at December 31, 2009, the Company had (a) 90,048,874 common shares issued and outstanding (December 31, 2008 – 46,872,876); (b) stock options outstanding to purchase 4,153,334 common shares (December 31, 2008 – 2,016,668) at exercise prices ranging from $0.30 to $3.30 per share and expiring between February 2010 and April 2014; and (c) Warrants to purchase 13,483,360 common shares of the Company at exercise prices ranging from $0.13 to $0.25 per share, expiring between November 2010 and February 2011. In certain instances, the expiry dates of 12,500,000 of the Warrants may be accelerated by the Company. Shareholders' equity as at December 31, 2009 was $33,793,000 compared to $29,524,000 as at December 31, 2008. Stock options outstanding as at December 31, 2009 had a weighted-average exercise price of $0.49 per share (December 31, 2008 - $0.74 per share) and a weighted average life of 45 months (December 31, 2008 – 48 months).

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses of $1,671,000 declined during the year ended December 31, 2009 by $249,000 from that incurred during the prior year reflecting the Company's continuing cost reduction program which reduced expenses incurred for salaries and management fees, head office administration, and interest. This reduction was partially offset by: a) a $41,000 increase in year over year stock based compensation expense, due to stock option grants in February and April of 2009; and b) a $75,000 increase in year over year investor relation fees as the Company retained a firm to provide investor relation services to the Company.

A $28,000 loss was realized from foreign exchange transactions during the year ended December 31, 2009, compared to a loss of $59,000 incurred during the year ended December 31, 2008, reflecting a strengthening Canadian dollar, relative to the U.S. dollar. The Company's financings are denominated in Canadian dollars. Since the Company's principal mineral exploration and development activities are currently being conducted in the United States, most of its capital and operating costs are denominated in U.S. dollars. Consequently, a higher Canadian dollar against the U.S. dollar effectively results in lower costs to the Company. As at December 31, 2008, the Bank of Canada reported that the exchange rate to convert one U.S. dollar into one Canadian dollar was US$1.00 = C$1.2246, and as at December 31, 2009, US$1.00 = C$1.0466, reflecting a 17.1% increase for the Canadian dollar against the U.S. dollar during the year ended December 31, 2009. The Company is exposed to foreign exchange risk. The Company does not use derivative instruments to reduce its exposure to such risk.

CAPITAL EXPENDITURES

Atlanta gold property, Idaho, USA

Expenditures in 2009 of $2,819,000 were incurred primarily in respect to: (a) securing the portal at the historic 900 Adit and rehabilitating the first 200 feet of the Adit, (b) surface drilling and trenching, and assessing the underground potential of the Atlanta resource; (c) securing water rights for Atlanta; (d) monitoring baseline water quality data in the project area, (e) continuing to expand the historic adit water treatment program and (f) establishing a baseline and grid system and excavating and sampling trenches down to the C Zone and securing permits required to proceed with work on site. By comparison, expenditures in 2008 of $3,714,000 were incurred primarily in respect to assessing the potential for surface drilling and trenching, and the option of underground drilling to assess the underground potential of the Atlanta resource, after providing the State of Idaho with an exploration plan for 2009-2010; securing water rights for Atlanta; and monitoring baseline water quality data in the project area.

Rocky Bar gold property, Idaho, USA

In the third quarter of 2009, the Company allowed its interest in unpatented claims in the Rocky Bar area to lapse in order to conserve cash and wrote off the carrying value of $144,000 in September 2009.

Abitibi gold property, Quebec, Canada

Pursuant to the terms of an agreement entered into with Breakwater Resources and Niogold Mining Corp. ("Niogold") in September 2008, the Company holds an option to acquire a 60% interest on a portion of the Abitibi property, which is comprised of the Malartic H, Malartic H Annex, Normar and Mouskor claims. The Company's option will be exercisable at no cost to the Company upon Niogold completing $1.2 million in exploration expenditures on the Malartic portion of the Abitibi property. If the option is exercised, the Company will acquire a 2% net smelter return royalty interest in the Malartic claims and a 60% ownership interest in the Normar and Mouskor claims. In May 2009, the parties agreed to extend the option period for one year from September 1, 2009 to September 1, 2010 and the Company received, as consideration for the extension, 75,377 common shares of Niogold, having an approximate market value of $25,000. Niogold and the Company have renewed and kept all of the Abitibi claims in good standing until at least November 2010. The Company also holds a 100% interest in an additional 13 mining claims in the Abitibi area. The Abitibi properties are located in the prolific Malartic and Val-d'Or gold mining camps which are in close proximity to the full-service mining towns of Val-d'Or and Malartic with access to gold milling facilities, provincial highway, railroad, power line, telecommunication systems and an experienced labour force.

Brodeur diamond property, Baffin Island, Canada

Brodeur consists of 52 mineral claims located on the Brodeur Peninsula of Baffin Island covering approximately 126,900 acres (513.5 square kilometres). Consistent with management's previous decision to primarily focus the Company's financial resources on the development of Atlanta, the Company did not incur any exploration expenditures on Brodeur in 2009 or 2008, but did maintain claims over the most prospective kimberlite drill targets and known diamondiferous kimberlite. The Company continues to hold a total of 51.1 carats of diamonds which were recovered at the Freighttrain kimberlite in 2001 and 2002 from 12 samples weighing a total of 248.4 tonnes, and wrote off the remaining book value in 2007. In December 2008, the Company terminated the agreement with Helix Resources Inc., thereby surrendering its rights to ten mineral claims, including Freighttrain.

Torngat Diamond property, Quebec, Canada

As a result of management's decision to focus on Atlanta, in 2008 the Company abandoned its mine exploration permit on the Torngat property, located in Northern Quebec. The Company continues to hold 32 mineral claims at Torngat. A total of 13.4 carats of diamonds were recovered by the Company in 2000 from 12 samples weighing a total of 343.01 tonnes taken from Torngat.

Contingencies and Commitments

All amounts in this section are expressed in thousands of Canadian dollars, except in respect of Atlanta, which are expressed in thousands of U.S. dollars.

The Company has made commitments in respect of its head office leases and mineral properties as follows:

	Years 1-2	Years 3-4	Beyond Year 4
Head Office	20	5	-
Atlanta (1)(2)(3)	570	20	20

(1) Pursuant to an amendment to one of the Atlanta lease-purchase option agreements, US$29,500 of a final option payment will be repaid in December 2010, plus accrued simple interest of 5% per year.
(2) Pursuant to an amending agreement dated April 30, 2009 with Monarch Greenback, LLC, the Company renewed its Mining Lease and Option to purchase a 658.9-acre property adjacent to the Atlanta project for a further two years until April 30, 2011. Under the terms of the agreement, the Company has the right to acquire a 100% interest in the property subject to a floating rate net smelter return royalty with a maximum rate of 3.5%. The agreement requires optional annual and optional monthly payments totaling US$580,000 over a two-year period to maintain the Option in good standing. In 2009, the Company paid US$210,000 of this amount.
(3) Pursuant to an agreement signed on September 23, 2009 with CAMC, the Company purchased a 1% net smelter return (NSR) royalty in exchange for 5.75 million common shares of the Company plus a payment of US$200,000. US$20,000 was paid upon signing, and a further US$50,000 was paid in 2009. The US$130,000 balance is payable in monthly installments to January 2011.

Contingencies and commitments are described in Notes 4(a) and 4(c) to the Company's audited consolidated financial statements for the year ended December 31, 2009.

SELECTED ANNUAL INFORMATION

All amounts in this section's tables are expressed in thousands of Canadian dollars, except per share data.

The following tables set forth selected financial data prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for each of the three most recently completed financial years.

	2009	2008	2007
Total revenues	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items	1,460	1,435	11,718
Loss per share	0.02	0.05	0.67
Net loss (i)	1,460	1,435	11,718
Net loss per share	0.02	0.05	0.67
Total assets (ii)	37,962	34,408	30,316
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends per share	Nil	Nil	Nil

(i) The larger net loss in 2007 as compared to 2008 and 2009 was primarily the result of significantly higher mineral property impairments charged in 2007 ($10,952,000) as compared to 2008 and 2009 ($195,000 and $152,000, respectively).
(ii) Total assets increased by $3,554,000 to $37,962,000 at December 31, 2009 from $34,408,000 at December 31, 2008 primarily due to the proceeds from issuance of common shares which were partially offset by the net loss, mineral property expenditures and purchases of equipment for the year. Total assets increased by $4,092,000 to $34,408,000 at December 31, 2008 from $30,316,000 at December 31, 2007 primarily due to mineral property expenditures and purchases of equipment for the year which were partially offset by the proceeds from issuance of common shares.

OPERATIONS

	For the year ended December 31, 2009	2008
Interest income	(5)	(39)
General and administrative expenses		
Salaries and management fees	321	471
Stock-based compensation	493	452
Professional fees	466	506
Investor relations	185	110
Travel	13	73
Interest	15	28
Foreign exchange loss	28	59
Administrative and office	143	213
Amortization	7	8
	1,671	1,920
Mineral property costs and impairments	152	194
Future income tax recovery	(358)	(640)
	1,465	1,474
Loss for the period	1,460	1,435
Other comprehensive income for the period	(11)	-

CASH FLOW

	For the year ended December 31, 2009	2008
Operating activities	(1,568)	(3,557)
Financing activities	4,092	7,622
Investing activities	(1,535)	(3,893)
Inrease in cash	989	172

LIQUIDITY AND CAPITAL RESOURCES

	As at December 31, 2009	2008
Cash and cash equivalents	1,407	418
Current assets	1,553	541
Current liabilities	(153)	(511)
Working capital [iii]	1,400	30

(iii) Working capital is defined as current assets net of current liabilities, which is a non-GAAP measure. Non-GAAP financial measures do not have any standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. However, management believes that it is a useful measure in assessing the Company's liquidity.

Fourth Quarter

Summarized consolidated statements of operations for the fourth quarter of 2009 and 2008 are presented below:

	For the three months ended December 31, 2009	2008
Interest income	(3)	(0)
General and administrative expenses		
Salaries and management fees	56	99
Stock-based compensation	38	37
Professional fees	84	110
Investor relations	88	31
Interest	15	10
Foreign exchange loss	26	17
Administrative and office	2	32
Amortization	1	2
	310	338
Mineral property costs and impairments	14	(29)
Future income tax recovery	(422)	(689)
	(98)	(380)
Income for the period	(101)	(380)

Head office expenses of $310,000 incurred during the fourth quarter of 2009 approximated the $338,000 incurred during the same period in 2008. The decline in salaries and management fees from 2008 levels reflected the reduction in head office staff and salaries in 2009, overhead charges and professional fees. These decreases were partially offset by an increase in investor relation fees as the Company had previously in 2009 engaged a firm to provide investor relation services. Interest income earned in the fourth quarter of 2009 was higher compared to the same period in 2008, reflecting higher cash levels. As the Canadian dollar continued to strengthen relative to the U.S. dollar during the last quarter of 2009, the Company realized a foreign exchange loss during the fourth quarter of 2009, similar to the loss realized during the fourth quarter of 2008.

Summarized consolidated statements of cash flow for the fourth quarter of 2009 and 2008 are presented below:

	For the three months ended December 31, 2009	2008
Cash from (used for):		
Operating activities		
Earnings for the period	101	380
Add (deduct) items not involving cash:		
Amortization	1	2
Future income tax expense	(422)	(688)
Stock-based compensation expense	38	37
Increase (decrease) in non-cash working capital	(377)	(1,199)
	(659)	(1,468)
Financing activities		
Issuance of common shares, net of share issue costs	3,255	2,105
Liability to issue common shares	(750)	-
	2,505	2,105
Investing activities		
Mineral property expenditures	(407)	(533)
Property, plant and equipment	(65)	-
	(472)	(533)
Increase in cash and cash equivalents	1,374	104

Summary of Quarterly Results

The following table discloses certain financial data for the eight most recently completed quarters, expressed in thousands of Canadian dollars (except per share data - basic and fully diluted).

Quarter ended	Total Revenues (4)	General and Administrative Expenses	Net Loss (income) (3)	Loss per share
December 31, 2009	-	310	(101) (1)(2)	(0.01)
September 30, 2009	-	331	478 (1)(2)	0.01
June 30, 2009	-	388	376 (1)(2)	0.01
March 31, 2009	-	642	707 (1)(2)	0.01
December 31, 2008	-	338	(380) (1)(2)	(0.02)
September 30, 2008	-	465	499 (2)	0.02
June 30, 2008	-	509	547 (2)	0.02
March 31, 2008	-	608	769 (1)(2)	0.03

(1) Includes: (a) mineral property costs written off or expensed as follows: $14 during the fourth quarter of 2009, $133 during the third quarter of 2009, $3 during the second quarter of 2009, $2 during the first quarter of 2009, and $184 during the first quarter of 2008, and (b) future income tax provisions (recoveries) taken as follows: ($422) during the fourth quarter of 2009; $65 during the first quarter of 2009; ($688) during the fourth quarter of 2008; and $48 during the third quarter of 2008.
(2) Includes stock based compensation expense charged as follows: $38 during the fourth quarter of 2009; $49 during the third quarter of 2009; $80 during the second quarter of 2009; $325 during first quarter of 2009; $38 during the fourth quarter of 2008; $116 during the third quarter of 2008; $81 during the second quarter of 2008; and $217 during first quarter of 2008.
(3) The Company has not incurred any losses arising from discontinued operations or extraordinary items in the last eight quarters.
(4) Since the Company is a development-stage company, it does not generate any revenue.

The Company presently operates in two countries, Canada and the United States. The Company has an interest in four mineral properties. Two are gold properties and two are diamond properties. The Company's activities since early 2008 have focused on Atlanta, an advanced stage gold property.

The Atlanta property is accessible by highway and county-maintained roads. To date, the Company has conducted exploration on a seasonal (May to October) basis. However, as Atlanta advances toward the production stage and permanent camp and other facilities are constructed, the Company will conduct exploration, development, mining and milling activities on a year-round basis.

The Company assesses, on a regular basis, whether any impairment has occurred in the carrying value of its mineral properties. If such impairment has occurred, a write-down is charged in the period that the impairment took place. In 2007, the Company wrote off the carrying value of all of its projects, except for Atlanta. In 2009, the Company elected to allow its interest in certain mineral claims located in the Rocky Bar area of Idaho to lapse, resulting in a write-off of $144,000.

OUTLOOK

Atlanta Gold Property

Over the past five years, gold has been unique as a commodity which has consistently increased in value year over year. In the current period of economic recession, as governments worldwide utilize deficit financing to provide economic stimulus, there is a consensus building that the price of gold will continue to increase. Major gold mining companies are having difficulty maintaining their resource / reserve base. This is expected not only to have a positive upward pressure on the gold price, but also on the value of existing measured and indicated resources not currently in production.

As the Company continues to make progress building its resource base, and the associated environmental and economic framework at Atlanta, it expects that industry interest in this project will continue to develop. Support for this view may be found in the completion of the asset acquisition from and additional agreements in principle with Newmont USA. The worldwide economic downturn has significantly increased the availability of new and used equipment and skilled personnel. These changes are also expected to reduce future capital and operating expenses at Atlanta.

Management expects that the job creation potential for projects, such as Atlanta, which embrace the highest standards of environmental and social responsibility, will be recognized by the various governmental regulatory agencies.

The Atlanta project is important because it has a Measured and Indicated resource and significant potential for additional gold deposits that will provide substantial long-term economic and environmental benefits to the town of Atlanta, the surrounding communities and the State of Idaho, as well as to the Company and its shareholders.

During the fourth quarter of 2009, the Company completed an equity financing for gross proceeds of $3,450,000. Proceeds from the placement are being used to provide short-term funding for permitting, exploration and development expenditures at Atlanta, and for general working capital purposes. Additional financing will be required to be completed in the first half of 2010. Successful completion of such financings is expected to allow the Company to remain on track to commence mining at Atlanta in the third quarter of 2011. Management is confident that these financings will be completed. However, if delays occur in raising such funds, achievement of the Company's objectives for 2010 and 2011 may also be delayed.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

As at December 31, 2009, current liabilities included $26,000 which is owing to directors, officers and employees of the Company. By comparison, as at December 31, 2008, current liabilities included $134,200 due to a director of the Company, an unsecured demand note for $500,000 due to another director, and $9,000 due to an officer of the Company. As part of the equity financing completed in November 2009, a director purchased 3,333,333 common shares on the same terms as the other subscribers to the financing.

OUTSTANDING SHARE INFORMATION

As at March 10, 2010, the Company had 94,584,474 common shares outstanding, incentive stock options outstanding to purchase 4,133,334 common shares at prices ranging from $0.30 to $2.85 per share for terms ending between June 2010 and April 2014, warrants outstanding to purchase 13,483,360 common shares at prices ranging from $0.30 to $0.25 per share, exercisable between November 2010 and February 2011.

ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

The Canadian Institute of Chartered Accountants (CICA), issued Section 3064, Goodwill and Intangible Assets, which establishes revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard had no significant impact on the results of the Company. Concurrent with the introduction of this standard, the CICA withdrew Emerging Issues Committee (EIC) 27, Revenues and Expenditures During the Pre-operating period. This change has no impact on the Company since it does not apply to extractive industries.

In December 2008, the CICA issued amendments to Financial Instruments sections 3855, 3861 and 3862 permitting reclassification of a financial asset or liability out of the held-for-trading or available-for-sale category to other financial instruments categories in specified circumstances effective on or after July 1, 2008. The adoption of these amendments had no impact on the financial results of the Company.

In January 2009, the CICA issued an EIC Abstract on Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, EIC-173. This Abstract discusses the conclusion reached by the EIC that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. The recommendations on the accounting treatment discussed in this Abstract should be applied retroactively without restatement of prior periods. The Company has adopted these recommendations effective for fiscal periods beginning January 1, 2009 and there was no impact to the financial results from credit risk resulting from the Company's financial instruments in the reporting period.

In March 2009, the CICA issued an EIC Abstract on Impairment Testing of Mineral Exploration Properties, EIC-174. This abstract discusses the analysis recommended to be performed to determine if there has been an impairment of mineral exploration properties. The Company considered the recommendations discussed in this Abstract, effective for fiscal periods beginning January 1, 2009, when testing for impairment of mineral exploration properties in the period. No impairment adjustments were required.

In June 2009, the CICA amended Financial instruments – Disclosures section 3862 to require enhanced disclosure about the fair value assessments of the financial instruments. The new disclosures are based on a fair value hierarchy that categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate the fair values. The amendments apply to annual financial statements for fiscal years ending after September 30, 2009. The Company has adopted these disclosures in the December 31, 2009 annual financial statements (note 2(m)).

In August 2009, the CICA amended Financial Instruments section 3855 to add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. These amendments apply to reclassifications made on or after July 1, 2009. This section has also been amended to change the categories into which debt instrument is required or permitted to be classified, change the impairment model for held-to-maturity financial assets and require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. The Impaired Loans section 3025 was also amended to conform the definition of a loan to that in amended Section 3855 and to include held-to-maturity investments within the scope of the Impaired Loans section. The Adoption of these amendments had no impact on the financial results of the Company.

CICA Handbook Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace the former CICA 1581 "Business Combinations" and CICA 1600 "Consolidated Financial Statements", establish a new section for accounting for a non-controlling interest in a subsidiary. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011 although early adoption is permitted. CICA 1582, which replaces Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. The Company is currently evaluating the impact that these standards may have on the Company's financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. On February 13, 2008, the AcSB and the CICA confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011 with appropriate comparative data from the preceding year. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years commencing on or after January 1, 2011.

Consequently, the Company will continue to present its results for the years ended December 31, 2009 and 2010 using contemporary Canadian GAAP. In 2011, the Company will be required to restate for comparative purposes amounts reported for 2010 using Canadian GAAP to reflect contemporary IFRS. To accomplish this, commencing in fiscal 2010, the Company will maintain accounting records in accordance with both Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011.

The Company initiated its IFRS transition project in 2008. The project consists of three principal phases: preliminary study and diagnostic, detailed component evaluation, and embedding. The plan addresses the impact of the IFRS transition on accounting policies, implementation decisions, infrastructure, and control activities.

IFRS 1 – "First-time Adoption of International Financial Reporting Standards" sets out the guidelines for the initial adoption of IFRS. Under IFRS, the standards are applied retroactively at the transitional balance sheet date with all adjustment to assets and liabilities taken to accumulated deficit, unless certain exemptions are applied. The Company is currently assessing these exemptions to full restatement that are permitted under IFRS.

The areas of IFRS that may have the most potential impact to the Company are those that deal with property, plant and equipment, foreign exchange translation, asset impairment, borrowing costs and asset retirement obligation. The International Accounting Standards Board continues to make revisions to, or replace, existing IFRS standards that address certain of these areas. Some of the anticipated changes may have come into effect prior to the Company's transition date, such that IFRS may differ at the transition date from its current form. However, it is likely that the majority of the changes may occur subsequent to the Company's date of transition.

At December 31, 2009, the Company is currently in the second phase of the IFRS transition project which is the detailed component evaluation phase. In this phase, further evaluation of the financial statement areas impacted by IFRS will be completed involving a more detailed, systematic gap analysis of the accounting and disclosure differences between Canadian GAAP and IFRS. This detailed assessment will facilitate decisions around accounting policies and overall conversion strategy. The Company has and will continue to invest in training and resources throughout the transition period.

The Company's first financial statements completed under IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing extensive transitional information and full disclosure of all new IFRS policies.

The following discussion highlights some of the areas management considers to be potentially significant to the Company. At this stage, management has not completed quantifying the impact of these differences on the Company's consolidated financial statements.

Property, plant and equipment ("PP&E")

On transition to IFRS, the Company has the option to record property plant and equipment at fair value. This election is available to the Company on an asset-by-asset basis. If this IFRS 1 exemption is selected, the fair value on transition becomes the deemed cost of the asset.

Foreign Exchange Translation

IFRS provides guidance on the primary and secondary indicators that should be considered in determining the functional currency of an entity. As part of the conversion process, management will assess whether there are any changes in each entity's functional currency, based on the primary and secondary indicators. Under IFRS, where the functional currency of an entity differs from the reporting currency, the assets and liabilities of the entity are translated at the closing rate at the date of balance sheet, revenues and expenses are translated at exchange rates in a manner that produces substantially the same reporting amounts that would have resulted had the underlying transactions been translated on the dates they occurred, and all resulting exchange differences are recognized as a separate component of equity. Under Canadian GAAP, the Company's monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities are translated at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at exchange rates in a manner that produces substantially the same reporting amounts that would have resulted had the underlying transactions been translated on the dates they occurred. Exchange gains or losses arising on translation are included in income or loss for the year.

Impairment of assets

IFRS requires a review for impairment whenever there is any indication that an asset may be impaired. If any indication of impairment exists, the recoverable amount of the asset or cash generating unit must be determined and compared to the asset or cash generating unit's carrying value. The recoverable amount is determined as the higher of an asset or cash generating unit's fair value less costs to sell and its value in use (which uses discounted cash flows). An impairment loss must be recorded if the carrying value of the asset or CGU is higher than the recoverable amount. Under Canadian GAAP, long-lived asset impairment testing is performed using a two-step approach, where long-lived assets are first tested for recoverability based on the undiscounted cash flows they are expected to generate. The transition to IFRS may result in more frequent write-downs where carrying amounts of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but are not supported on a discounted basis.

IFRS requires the reversal of previous impairment losses where adverse circumstances have changed such that impairment losses have reduced. Canadian GAAP prohibits the reversal of previous impairment losses.

Asset retirement obligation ("ARO")

IFRS requires the recognition of an asset retirement obligation (ARO) if there is a legal or constructive obligation to incur site restoration costs. Under Canadian GAAP, only legal requirements to incur site restoration costs are considered. Under IFRS, an entity is required to assess changes in the present value of an ARO at each reporting date, considering changes in the discount rate. Under Canadian GAAP, an ARO is not required to be subsequently adjusted for changes in the discount rate applied.

Under Canadian GAAP, the Company records ARO at fair value in the period in which a legal liability is incurred. Please refer to note 2 (l) of the Company's Consolidated Financial Statements.

Borrowing costs

IFRS requires that borrowing costs, to the extent they are directly attributable to the acquisition, production, and construction of a qualifying asset, be capitalized. Canadian GAAP provides the Company with the option to expense borrowing costs in the period they are incurred.

CRITICAL ACCOUNTING ESTIMATES

GOING CONCERN

The consolidated annual financial statements of the Company for the years ended December 31, 2009 and 2008 were prepared in accordance with GAAP applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities and meet its future obligations in the normal course of business. Accordingly, these annual consolidated financial statements do not include any adjustments for the recoverability and reclassification of recorded assets, or the amounts or classification of liabilities, that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

While the annual consolidated financial statements were prepared on the basis of accounting principles applicable to a going concern, to date, the Company has not earned significant revenues and is not considered to be in operation. Recoverability of exploration and development expenditures is dependent upon the further development of economically recoverable resources, the preservation of the Company's interest in the underlying mineral claims, the ability to obtain necessary financing, obtain government approval and attain profitable production, or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying amounts of deferred exploration expenditure.

As at December 31, 2009, the Company's current assets exceeded its current liabilities by $1,400,000. The Company recorded a loss of $1,460,000 for the year ended December 31, 2009 and reported an accumulated deficit of $51,446,000 as at that date.

ASSET IMPAIRMENT

In preparing these financial statements, management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that materially affect the consolidated financial statements and involve a significant level of judgment by management. Management's critical accounting estimates were made in respect of the assessment for the impairment of property, plant and equipment and the valuation of other assets and liabilities such as plant and equipment, investments, restoration and post-closure costs, accounting for income and mining taxes, mineral reserves, contingencies and pension, stock options and warrants, and other post retirement benefits.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. Management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2009 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer, have concluded that, as of December 31, 2009, 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 National Instrument 52-109 Certification of Disclosure in Issuer's 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 of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow for accurate disclosure to be made on a timely basis.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for certifying the design of the Company's internal control over financial reporting ("ICFR") as required by National Instrument 52-109. The Company's ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of the Company's assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Canadian GAAP;
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, the Company's ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design of the Company's internal controls over financial reporting and concluded that no material weaknesses existed, as at December 31, 2009.

CHANGES TO INTERNAL CONTROLS OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that occurred during the fourth quarter of 2009 that have affected or which are reasonably likely to materially affect the Company's internal control over financial reporting.

UNCERTAINTIES AND RISK FACTORS

The Company does not currently hold any interest in a mining property in production and its future success depends upon its ability to find, develop, exploit and generate revenue from mineral deposits. Exploration and development of mineral deposits involve significant financial risks, which even a combination of careful evaluation, experience and knowledge may not eliminate and there can be no assurance that any of the Company's current projects will ultimately be developed into a profitable mining operation. Mineral resource and reserve estimates are estimates only and there is no assurance that any particular level of recovery will ultimately be realized and economically exploited. Exploration for gold and other minerals is highly speculative in nature and frequently is unsuccessful. A number of factors beyond the control of the Company may affect the marketability of gold, diamonds or any other minerals discovered. Resource prices have fluctuated widely and are beyond the Company's control. Revenue and profitability will be determined by the relationship of the Company's production costs and in respect of gold, the recovered grade of gold and in respect of diamonds, the relative quality of the diamonds extracted, to resource prices. The effect of these factors cannot accurately be predicted. The Company has limited financial resources with no source of operating cash flow and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, it has more recently experienced some delays in completing such financings and there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing will result in delay or indefinite postponement of further exploration and development of the Company's properties with the possible dilution or loss of such interests. The operations of the Company require licenses and permits from various governmental authorities and while the Company currently holds all necessary licenses and permits required to carry on its present activities and believes it is complying with such licenses, permits and all applicable laws and regulations, such licenses, permits and laws are subject to change and there can be no assurance that the Company will be able to obtain all necessary licenses and permits in the future. Material delays in obtaining or the failure to obtain such licenses and permits will have a material adverse effect on the business and operations of the Company. Furthermore, the cost of complying with changes in governmental laws and regulations has the potential to reduce the profitability of future operations. The acquisition of title to mineral projects is a very detailed and time-consuming process and although the Company has taken precautions to ensure that legal title and interest to its properties are properly recorded, there can be no assurance that the interests of the Company in any of its properties may not be challenged or impugned. In management's view, there has been no material change in the nature or magnitude of any of the risks faced by the Company during the fourth quarter of 2009.

ADDITIONAL INFORMATION

Additional information relating to the Company, including its Annual Information form, is available on SEDAR at www.sedar.com.

March 10, 2010

MANAGEMENT'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Atlanta Gold Inc. have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and contain estimates based on management's judgement. Management maintains a system of internal controls adequate to provide reasonable assurance that transactions are authorized, assets are safeguarded and records are maintained.

The Audit Committee comprises three independent directors and meets with management and the Company's auditors, PricewaterhouseCoopers LLP, to review the consolidated financial statements before they are presented to the Board of Directors for approval. PricewaterhouseCoopers LLP have examined these consolidated financial statements and their report follows.

William J. C. Baird
President and
Chief Executive Officer

Domenico Bertucci, CA
Chief Financial Officer (Acting)

March 10, 2010

AUDITORS' REPORT

To the Shareholders of Atlanta Gold Inc.

We have audited the consolidated balance sheets of Atlanta Gold Inc. (the Company) as at December 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss and deficit, changes in shareholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Ontario, Canada
March 10, 2010

CONSOLIDATED BALANCE SHEETS

As at December 31, 2009 and 2008

(in Canadian dollars)	2009 $	2008 $
ASSETS		
Current assets:		
Cash and cash equivalents	1,406,916	418,097
Marketable securities (note 4(d))	25,251	-
Recoverable taxes	38,624	35,655
Prepaid expenses	82,260	86,971
	1,553,051	540,723
Mineral properties (note 4)	35,918,661	33,244,068
Property, plant and equipment (note 5)	490,688	623,466
	37,962,400	**34,408,257**
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	153,341	510,704
Future income taxes (note 7)	4,015,960	4,373,597
	4,169,301	4,884,301
SHAREHOLDERS' EQUITY		
Capital stock	79,303,843	74,496,463
Warrants (note 6(b))	539,658	219,677
Contributed surplus (notes 6(b) and (c))	5,384,410	4,793,273
Accumulated other comprehensive income	10,929	-
Accumulated deficit	(51,445,741)	(49,985,457)
	33,793,099	29,523,956
	37,962,400	**34,408,257**

Nature of operations and going concern (note 1)
Subsequent events (note 13)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board

James K. Gray
Director

W. Warren Holmes
Director

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

For the years ended December 31, 2009 and 2008

	Cumulative, since inception (March 6, 1985 to December 31, 2009)	2009	2008
(in Canadian dollars)	**$**	$	$
Interest income	**1,920,967**	4,760	38,998
General and administrative expenses			
Salaries and management fees (note 8)	**7,250,566**	321,027	470,625
Stock-based compensation (note 6(c))	**2,120,786**	493,309	451,897
Professional fees	**4,975,772**	465,583	506,085
Investor relations	**2,326,359**	185,166	110,158
Travel	**840,825**	12,687	73,353
Interest	**344,142**	15,352	28,372
Loss from foreign currency translation	**160,607**	27,594	59,344
Administrative and office	**4,303,184**	142,999	211,813
Amortization	**166,963**	6,931	7,962
	22,489,204	1,670,648	1,919,609
Mineral property costs and impairments (note 4(b) and (c))	**29,895,717**	152,033	194,931
Future income tax provision (recovery) (note 7)	**981,787**	(357,637)	(640,046)
	53,366,708	1,465,044	1,474,494
Loss for the year	**51,445,741**	1,460,284	1,435,496
Accumulated deficit, beginning of year	**-**	49,985,457	48,549,961
Accumulated deficit, end of year	**51,445,741**	**51,445,741**	**49,985,457**
Weighted average number of consolidated shares outstanding		60,114,235	28,938,704
Loss per share - basic and diluted		0.02	0.05
Loss for the year	**51,445,741**	1,460,284	1,435,496
Other comprehensive income:			
Unrealized gains on available-for-sale marketable securities	**(10,929)**	(10,929)	-
Comprehensive loss for the year	**51,434,812**	1,449,355	1,435,496

Nature of operations and going concern (note 1)

The accompanying notes are an integral part of these consolidated financial statements.

(in Canadian dollars)	Cumulative, since inception (March 6, 1985 to December 31, 2009) $	2009 $	2008 $
Operating activities			
Loss for the year	**(51,445,741)**	(1,460,284)	(1,435,496)
Add (deduct) items not involving cash:			
Mineral property costs and impairments	**29,667,525**	118,772	-
Amortization	**166,963**	6,931	7,962
Future income tax provision (recovery)	**981,787**	(357,637)	(640,046)
Stock-based compensation	**2,120,786**	493,309	451,897
Net change in non-cash working capital	**18,957**	(369,121)	(1,941,785)
	(18,489,723)	(1,568,030)	(3,557,468)
Financing activities			
Issuance of common shares:			
net of issue costs (note 6(d))	**71,835,292**	4.092,361	7,621,655
Issuance of flow-through shares:			
net of issue costs (note 6(d))	**12,853,631**	-	-
	84,688,923	4.092,361	7,621,655
Investing activities			
Mineral property expenditures	**(63,574,034)**	(1,458,980)	(3,494,308)
Property, plant and equipment	**(1,218,250)**	(76,532)	(397,638)
	(64,792,284)	(1,535,512)	(3,891,946)
Increase in cash and cash equivalents	**1,406,916**	988,819	172,241
Cash and cash equivalents, beginning of year	**-**	418,097	245,856
Cash and cash equivalents, end of year	**1,406,916**	**1,406,916**	**418,097**
Cash and cash equivalents:			
Non-interest bearing chequing account		85,296	47,918
Interest bearing savings account		1,321,620	370,179
		1,406,916	418,097
Net change in non-cash working capital items			
Marketable securities		(25,251)	-
Receivables		(2,969)	62,252
Prepaid expenses		4,711	57,887
Supply inventory		-	30,000
Accounts payable and accrued liabilities		(345,612)	(2,091,924)
		(369,121)	(1,941,785)
Significant non-cash financing and investing activities:			
Shares issued (note 4(a))		1,035,000	25,000
Total income taxes paid		-	-
Total interest paid		11,805	31,108

The accompanying notes are an integral part of these consolidated financial statements.

(in Canadian dollars)	Shares issued and subscribed: Number of shares	Shares issued and subscribed: Ascribed value (note 6)	Warrants value (note 6(b))	Contributed surplus (note 6(b) & (c))	Accumulated other comprehensive income (note 2(m))	Accumulated deficit	Total
Balance, December 31, 2007	19,726,557	$ 67,001,029	$ 19,865	$ 4,228,619	$ -	$ (48,549,961)	$ 22,699,552
Issue of shares for cash							
- at $0.61 per common share, net of share issue costs (note 6(d))	9,180,062	5,482,893					5,482,893
- at $0.10 per common share unit, net of share issue costs (note 6(d))	16,324,000	1,395,067	219,677				1,614,744
- at $0.63 per common share, on exercise of options (note 6(c))	220,000	216,920		(78,320)			138,600
Issue of shares for accounts payable							
- at $0.71 per common share, net of share issue costs (note 6(d))	70,422	45,424					45,424
- at $0.70 per common share, net of share issue costs (note 6(d))	310,029	214,354					214,354
- at $0.12 per common share, net of share issue costs (note 6(d))	1,000,000	117,814					117,814
Issue of shares for property							
- at $0.598 per common share, net of share issue costs (note 4(d) and 6(d))	41,806	22,962					22,962
Stock-based compensation (note 6(c) and 9)				623,109			623,109
Warrants expiring unexercised (note 6(b))			(19,865)	19,865			
Loss and comprehensive loss for the period						(1,435,496)	(1,435,496)
Balance, December 31, 2008	46,872,876	$ 74,496,463	$ 219,677	$ 4,793,273	-	$ (49,985,457)	$ 29,523,956
Issue of shares for cash							
- at $0.10 per common share unit, net of share issue costs (note 6(d))	8,676,000	622,274	213,481				835,755
- at $0.12 per common share unit, net of share issue costs (note 6(d))	28,749,998	3,153,744	106,500				3,260,244
Issue of shares to reacquire 1% Royalty							
- at $0.18 per common share, net of share issue costs (note 4(a))	5,750,000	1,031,362					1,031,362
Stock-based compensation (note 6(c) and 9)				591,137			591,137
Unrealized market gains on available-for-sale marketable securities					10,929		10,929
Loss for the year						(1,460,284)	(1,460,284)
Balance, December 31, 2009	**90,048,874**	**$ 79,303,843**	**$ 539,658**	**$ 5,384,410**	**$ 10,929**	**$ (51,445,741)**	**$ 33,793,099**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company's primary property is its Atlanta Gold Property ("Atlanta"), located in Idaho, U.S.A. Atlanta is in the development phase currently awaiting beginning of mine construction. The Company's other properties have been written off, including the Rocky Bar gold property, located southwest of Atlanta, and diamond properties located on Baffin Island and in Northern Québec and its Québec gold properties, which are in the exploration phase. No further work is planned in these areas. The Company's Quebec gold properties under option from Breakwater Resources Ltd. have been farmed out to others who are focused on exploration and development in this area. The success of their efforts could potentially yield positive results for the Company through earned working interests and retained royalty interests.

To date, the Company has not earned significant revenues and is not considered to be in operation.

Recoverability of exploration and development expenditures is dependent upon the further development of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability to obtain necessary financing, obtain government approval and attain profitable production, or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying amounts of deferred exploration expenditure.

As at December 31, 2009, the Company's current assets exceeded its current liabilities by $1,399,710. The Company recorded a loss of $1,460,284 for the year ended December 31, 2009 and reported an accumulated deficit of $51,445,741 at that date. These circumstances raise significant doubt about its ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. In view of these circumstances, the Company completed private placement equity financings in February and November 2009, and will continue to explore financing alternatives to raise capital. Nevertheless, it is not possible to determine with any certainty the success of these initiatives.

The financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The financial statements of entities which are controlled by the Company either directly or indirectly are consolidated. Control is established by our ability to determine strategic, operating, investing and financing policies without the co-operation of others. The criteria used include an analysis of our level of ownership, voting rights and our level of representation on the board of directors. We evaluate these criteria in terms of determining whether the existence of one of the criteria alone (such as a majority ownership of all voting securities), or a combination of the criteria when taken together, would result in having control, or the ability to exercise control, of the management, business focus or strategy and/or critical policies of the particular entity.

(b) Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles (Canadian GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from those reported.

Significant estimates include assessing the fair value of stock based compensation, a provision (recovery) for future income taxes, the carrying value of mineral properties, future cash flows from assets, and proven and probable reserves. In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented are reflected in these financial statements.

(c) Cash and cash equivalents

Cash and cash equivalents include investments to maturity of less than 90 days at purchase.

(d) Valuations of investments at fair value

Portfolio investments are reported at fair market value. Market value investments in publicly traded securities are determined based on the period end final bid prices reported on recognized securities exchanges and over-the-counter markets. Portfolio investments, classified as available-for-sale, are revalued to market each reporting period and the resulting gain or loss is recorded as an adjustment to Other Compensation Income ("OCI"). Investments are evaluated for impairment based on the market values and consideration of the circumstances affecting the Company's investment portfolio.

Where there has been a loss in value of a portfolio investment that is determined to be other than a temporary decline, the investment is written down to recognize the loss. The recognition of an other than temporary impairment results in a charge to the statement of earnings.

The average cost basis is used to determine the gain or loss on sales of portfolio investments. Gains and losses realized on sales are recorded in the statement of earnings in the period in which they occur.

The related fair market value adjustments that were previously recorded in OCI are reclassified to the statement of earnings when a portfolio investment is sold or permanently written down.

(e) Property, plant and equipment

Property, plant, and equipment are recorded at cost and include office furniture, fixtures, equipment and computer hardware and software. The office furniture, fixtures, and equipment are amortized over ten years and vehicles, computer hardware and software are depreciated over three years. All property, plant, and equipment are depreciated on a straight-line basis. The Company performs regular reviews of the carrying values of property, plant and equipment. To the extent that impairment conditions exist, carrying values are written down to their fair value.

(f) Mineral properties

Direct exploration and development costs are deferred in the accounts, net of amounts recovered from third parties, including option payments received. At production, these costs will be amortized using the units-of-production method based on estimated reserves. Costs relating to properties abandoned are written off when the decision to abandon is made, or earlier if a determination is made that the property does not have economically recoverable reserves. Costs relating to lease/option, and rental fees are deferred in the accounts. Costs relating to annual renewal fees are expensed in the year incurred.

The Company is in the process of exploring and developing its properties. The Company reviews the carrying values of deferred mineral property acquisition and exploration expenditures on a regular basis with a view to assessing whether there has been any impairment in value. When impairment conditions are identified, reviews of exploration properties and properties under development are conducted including an assessment of drilling and exploration results, and revenues. The carrying values, which are impaired, are written down to fair value.

(g) Earnings per share

Basic earnings per share is computed by dividing the earnings (loss) for the year by the weighted-average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a manner similar to basic earnings per share, except the weighted-average shares outstanding are increased to include potential common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

(h) Translation of foreign currencies

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at exchange rates in a manner that produces substantially the same reporting amounts that would have resulted had the underlying transactions been translated on the dates they occurred. Exchange gains or losses arising on translation are included in income or loss for the year.

(i) Financial Instruments

Section 3855 – "Financial Instruments – Recognition and Measurement" prescribes when a financial asset, financial liability, or non-financial derivative should be recognized on the balance sheet as well as its measurement amount. This section also specifies how financial instruments' gains and losses are to be presented. The carrying amounts of cash and cash equivalents, accounts payable and accrued liabilities approximate the fair values of those financial instruments due to the short-term maturity of such instruments. The Company places its cash with high credit quality financial institutions.

(j) Stock options

The Company has a stock option plan as described in Note 6(c). The Company accounts for stock-based compensation based on the fair value method of accounting. Under this method, the fair value of stock-based compensation is determined based on the Black-Scholes valuation model and is recognized based on the vesting of options granted under the stock option plan. Amounts recognized are credited to Contributed Surplus. Consideration paid on the exercise of stock options is credited to Capital Stock.

(k) Income taxes

The provision for future income tax assets and liabilities is based on the liability method. Future income taxes arise from the recognition of the tax consequences of temporary differences by applying substantively enacted tax rates likely to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The Company records a future income tax asset when it believes that it is, more likely than not, to be realized.

(l) Asset retirement obligations

The Company records asset retirement obligations at fair value in the period in which the liability is incurred. Fair value is determined based on the estimated future cash flows required to settle the liability discounted at the Company's credit adjusted risk free interest rate. The liability is adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted over time to its full value. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset. Management has currently determined that a liability for asset retirement obligations has not been incurred.

(m) Fair value of financial instruments

Financial assets and financial liabilities are recognized initially at fair value. After initial recognition, in accordance with CICA Handbook section 3855 – Financial Instruments – Recognition and Measurement, the Company measures its financial assets and financial liabilities depending on the following classifications:

- Held-to-maturity financial assets are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.
- Held-for-trading financial instruments are carried at fair value with changes in fair value charged or credited to the statement of operations in the period in which they arise.
- Loans and receivables are initially recognized at their fair values, and subsequently measured at amortized cost using the effective interest rate method. Impairment losses are charged to net earnings in the period in which they arise.
- Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income. Impairment losses relating to other than temporary impairments are charged to net earnings in the period in which they arise.
- Other financial liabilities are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method.
- All derivative financial instruments meeting certain recognition criteria are carried at fair value with changes in fair value charged or credited to income or expense in the period in which they arise.

The following is a summary of the accounting model the Company has elected to apply to each category of financial instruments outstanding as at December 31, 2009:

Cash and cash equivalents	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to (from) related parties	Other financial liabilities
Marketable securities	Available-for-sale

As of December 31, 2009, both the carrying value and fair value amounts of the Company's significant financial instruments are approximately equivalent.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2009:

	Level 1 [a]	Level 2	Level 3	Total
Equity instruments	$25,251	-	-	$25,251

(a) The Level 1 financial assets relate to the Niogold shares described in Note 4(d).

3. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

The Canadian Institute of Chartered Accountants (CICA), issued Section 3064, Goodwill and Intangible Assets, which establishes revised guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard had no significant impact on the results of the Company. Concurrent with the introduction of this standard, the CICA withdrew Emerging Issues Committee (EIC) 27, Revenues and Expenditures During the Pre-operating period. This change has no impact on the Company since it does not apply to extractive industries.

In December 2008, the CICA issued amendments to Financial Instruments sections 3855, 3861 and 3862 permitting reclassification of a financial asset or liability out of the held-for-trading or available-for-sale category to other financial instruments categories in specified circumstances effective on or after July 1, 2008. The adoption of these amendments had no impact on the financial results of the Company.

In January 2009, the CICA issued an EIC Abstract on Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, EIC-173. This Abstract discusses the conclusion reached by the EIC that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. The recommendations on the accounting treatment discussed in this Abstract should be applied retroactively without restatement of prior periods. The Company has adopted these recommendations effective for fiscal periods beginning January 1, 2009 and there was no impact to the financial results from credit risk resulting from the Company's financial instruments in the reporting period.

In March 2009, the CICA issued an EIC Abstract on Impairment Testing of Mineral Exploration Properties, EIC-174. This abstract discusses the analysis recommended to be performed to determine if there has been an impairment of mineral exploration properties. The Company considered the recommendations discussed in this Abstract, effective for fiscal periods beginning January 1, 2009, when testing for impairment of mineral exploration properties in the period. No impairment adjustments were required.

In June 2009, the CICA amended Financial instruments – Disclosures section 3862 to require enhanced disclosure about the fair value assessments of the financial instruments. The new disclosures are based on a fair value hierarchy that categorizes financial instruments measured at fair value at one of three levels according to the reliability of the inputs used to estimate the fair values. The amendments apply to annual financial statements for fiscal years ending after September 30, 2009. The Company has adopted these disclosures in the December 31, 2009 annual financial statements (note 2(m)).

In August 2009, the CICA amended Financial Instruments section 3855 to add guidance concerning the assessment of embedded derivatives upon reclassification of a financial asset out of the held-for-trading category. These amendments apply to reclassifications made on or after July 1, 2009. This section has also been amended to change the categories into which debt instrument is required or permitted to be classified, change the impairment model for held-to-maturity financial assets and require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances. The Impaired Loans section 3025 was also amended to conform the definition of a loan to that in amended Section 3855 and to include held-to-maturity investments within the scope of the Impaired Loans section. The Adoption of these amendments had no impact on the financial results of the Company.

CICA Handbook Section 1582 "Business Combinations", Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace the former CICA 1581 "Business Combinations" and CICA 1600 "Consolidated Financial Statements", establish a new section for accounting for a non-controlling interest in a subsidiary. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011 although early adoption is permitted. CICA 1582, which replaces Handbook Section 1581, Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. CICA 1601, which replaces Handbook Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. CICA 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. The Company is currently evaluating the impact that these standards may have on the Company's financial statements.

4. MINERAL PROPERTIES

	Cumulative, since inception (March 6, 1985 to December 31, 2009)	2009	2008
(in Canadian dollars)	$	$	$
Atlanta Gold Property (note 4(a))			
Balance, beginning of year	-	33,100,045	29,386,255
Drilling, assays and related field work	27,775,962	963,837	3,379,513
Project administration and general	4,127,534	524,167	214,277
Property acquisition and holding costs	4,015,165	1,330,612	120,000
Total changes during the year	35,918,661	2,818,616	3,713,790
Balance, end of year	35,918,661	35,918,661	33,100,045
Rocky Bar Gold Property (note 4(b))			
Balance, beginning of year	-	144,023	-
Drilling, assays and related field work	26,143	-	26,143
Project administration and general	117,880	-	117,880
Property costs written off	(144,023)	(144,023)	-
Total changes during the year	144,023	(144,023)	144,023
Balance, end of year	-	-	144,023
Brodeur Diamond Property (note 4(c))			
Balance, beginning of year	-	-	-
Drilling, assays and related field work	10,910,156	-	-
Project administration and general	448,338	-	-
Property acquisition and holding costs	1,183,200	-	-
Property costs written off	(12,541,694)	-	-
Total changes during the year	-	-	-
Balance, end of year	-	-	-
Abitibi Gold Property (note 4(d))			
Balance, beginning of year	-	-	-
Drilling, assays and related field work	2,015,637	-	-
Project administration and general	26,506	-	-
Property acquisition and holding costs	75,000	-	-
Costs recovered during the year	(671,765)	-	-
Property costs written off	(1,445,378)	-	-
Total changes during the year	-	-	-
Balance, end of year	-	-	-
	35,918,661	35,918,661	33,244,068

(a) Atlanta Gold Property, Idaho, U.S.A.

On July 22, 1997, the Company and Canadian American Mining Company, LLC ("CAMC") (formerly Quest International Resources Corporation) ("Quest"), entered into a joint venture agreement (the "Quest Agreement") whereby the Company became the operator of Atlanta with an 80% interest, with Quest holding the remaining 20% participating interest. CAMC subsequently agreed to transfer its 20% participating interest in the joint venture to the Company, and retain a 2% NSR royalty (the "Royalty") on Atlanta, as per the Quest Agreement. In September 2009, the Company acquired half of the Royalty back from CAMC by issuing 5.75 million common shares of the Company, which were valued at $1,035,000, and agreeing to pay US$200,000 to CAMC as follows: US$20,000 paid on closing; US$30,000 paid on October 25, 2009, and US$10,000 monthly payments paid for 15 consecutive months from November 2009 to January 2011.

On February 2, 1999, the Company signed a Lease/Option to Purchase Agreement (the "Monarch Agreement") with Monarch Greenback, LLC ("Monarch") relating to Monarch's surface and mineral rights to Atlanta, which agreement was subsequently amended in 1999 and 2001. The Company held a ten-year lease, with an option (the "Option") to purchase such surface and mineral rights for US$2,875,000, exercisable until April 30, 2009. Since 2001, the Company paid Monarch US$50,000 per year in minimum annual rental payments. In April 2009, the Company and Monarch agreed to extend the term of the Option until April 30, 2011. The Company agreed to pay Monarch US$20,000 per month for twenty four months, to April 2011. A further payment of US$50,000 is due on May 1, 2010. If the Option is exercised on or before April 30, 2010, the Option exercise price will be US$2,975,000 and thereafter, the Option exercise price will be US$3,075,000. If the Option is exercised, the existing minimum annual rental payments on such surface and mineral rights will be terminated and replaced by a net smelter royalty of 0.5% of gold sales if the average realized gold price is US$365 per ounce or less. For each US$1 increase in the average realized gold price over US$365 per ounce, the net smelter royalty will be increased by 0.01% to a maximum rate of 3.5%. During the year, the Company paid US$210,000 in aggregate to Monarch. Certain of the payments made by the Company will be credited against future royalty payments.

Annual advance royalties are payable to certain lessors, which are credited to royalties payable on production from Atlanta, and an annual rental payment is payable to another lessor as set forth below. These payments are required to keep the agreements in good standing. During the year ended December 31, 2009, the Company paid US$268,225 (2008 - US$60,000) in annual rental and advance royalty payments to the lessors, including accrued interest of $3,225.

Year ending December 31,	Annual rental payments, US$	Advance royalty payments, US$
2010	29,500	310,000
2011	-	100,000
2012 to 2015	-	10,000

(b) Rocky Bar Gold Property, Idaho, U.S.A.

In 2008, the Company staked various contiguous lode unpatented claims in the Rocky Bar mining district ("Rocky Bar"), which is located southwest of Atlanta, to expand the Company's regional property interests in Idaho. In 2008, the Company incurred expenditures of $144,023 on Rocky Bar. In 2009, the Company determined to allow the claims to lapse, and wrote off the carrying value of Rocky Bar. The resulting impairment was included in Mineral property costs and impairments.

(c) Brodeur Diamond Property

The Company holds certain mineral exploration claims located on the Brodeur Peninsula of Baffin Island ("Brodeur"). Certain of these mineral claims were initially acquired pursuant to an agreement with Helix Resources Inc. ("Helix"). Under the terms of this agreement, dated April 27, 2000, as amended by agreement dated May 5, 2005 (as amended, the "Helix Agreement") the Company is required to pay Helix $150,000 annually. One half of these payments and all of certain payments made to Helix prior to 2005 are deemed advances against future royalty payments. Payments to Helix under the Helix Agreement were made in January, 2006, January 2007, and February 2008. After the Company decided to focus its efforts on Atlanta, it wrote off the remaining carrying value of $9,510,475 in 2007. In December 2008, the Company terminated the Helix Agreement, ending the Company's rights in respect of the surviving claims under the Helix Agreement. The Company continues to hold several mineral claims on Brodeur.

(d) Abitibi Gold Property, Québec

By agreement dated August 29, 2003 between the Company and Breakwater Resources Ltd. ("Breakwater"), the Company acquired the exclusive option to acquire up to a 100% interest in the Abitibi property (the "Property"), subject to certain net smelter and net profits royalty interests. Under the terms of this agreement, the Company could earn a minimum 60% interest in the Property by paying annual taxes and otherwise maintaining the Property in good standing, by making cash payments totaling $125,000 and by incurring exploration expenditures totaling $3,500,000, over a five-year period. As at December 31, 2008, the Company made cash payments totaling $100,000 and incurred exploration expenditures totaling approximately $2,351,000.

In September 2008, Breakwater, the Company and Niogold Mining Corp. ("Niogold") entered into an agreement extending the exercise period of the option to September 1, 2009. Under the terms of this agreement, Niogold paid $25,000 to Breakwater and has agreed to incur up to $1.2 million in expenditures on the Malartic claims by September 1, 2009 to exercise the option, and the Company issued 41,806 common shares to Breakwater in October 2008.

In May 2009, the parties agreed to extend the option period for one year to September 1, 2010 and in consideration therefor the Company received 75,377 shares of Niogold with a fair value of $14,322. As at December 31, 2009, the fair value of the shares is $25,251. This investment has been designated as available for sale and carried at fair value. Upon exercise of the option, the following will occur:

(i) The Company will have earned a 60% interest in the Normar and Mouskor claims and Niogold will have earned a 60% interest in the Malartic claims, and

(ii) The Company and Breakwater with respect to Normar and Mouskor, and Niogold and Breakwater, with respect to Malartic, will form joint ventures. Under the terms of each of the joint venture agreements, if Breakwater's interest in a venture is diluted to 10% or less, its interest therein will be converted to a 1.5% net smelter return royalty, which may be purchased for $750,000.

Following exercise of the option and prior to delivery of a bankable feasibility study, the Company and Niogold may increase their respective interests in the properties by an additional 10% upon Niogold making a $100,000 payment to Breakwater. Within six months following delivery of a bankable feasibility study on either property, Niogold and the Company may elect to increase their respective interests by a further 10% by making a further payment to Breakwater totaling $500,000. Provided that each of Niogold and the Company contribute equally to the $500,000 payment, then the Company and Niogold will each be entitled to a 2% net smelter return royalty on the other's property, of which one-half may be purchased for $1 million and the balance may be purchased for an additional $1 million.

The Company had the right to include a 10% overhead fee in exploration expenditures. Expenditures exceeding minimum annual requirements incurred may be carried forward included in future exploration expenditures. The Company has incurred sufficient exploration expenditures to maintain the Property in good standing until September 1, 2010.

The Company also has a 100% interest in certain additional mining claims in the Abitibi area.

5. PROPERTY, PLANT AND EQUIPMENT

	2009			2008		
	Cost ($)	Accumulated ammortization ($)	Net ($)	Cost ($)	Accumulated ammortization ($)	Net ($)
Office furniture and equipment	158,329	155,401	2,928	155,401	148,470	6,931
Vehicles and field equipment	1,053,534	565,774	487,760	980,453	363,918	616,535
Total	1,211,863	721,175	490,688	1,135,854	512,388	623,466

6. CAPITAL STOCK

(a) Authorized share capital

The Company's authorized capital consists of an unlimited number of common shares, an unlimited number of first preference shares, issuable in series and an unlimited number of second preference shares, issuable in series.

(b) Warrants

The following summarizes warrants that have been granted, exercised or expired for the two years ended December 31, 2009:

	Number of warrants	FMV of warrants at date of issue ($)	Weighted average exercise price ($)
Outstanding, December 31, 2007	64,445	19,865	3.45
Warrants issued on issuance of shares for cash (note 6(d))	8,162,000	219,677	0.25
Warrants expired during the year	(64,445)	(19,865)	3.45
Outstanding, December 31, 2008	8,162,000	219,677	0.25
Warrants issued on issuance of shares for cash (note 6(d))	4,338,000	213,481	0.25
Compensation warrants issued on issuance of shares for cash (note 6(d))	983,360	106,500	0.13
Outstanding, December 31, 2009	13,483,360	539,658	0.25

The fair market value of warrants issued is separately recorded and disclosed from share capital in the year warrants are issued. Warrants that are exercised will be recorded as share capital and warrants that expire unexercised will be recorded as contributed surplus. During 2009, none of the 8,162,000 warrants issued in 2008 and having a fair value at date of grant of $219,677 expired unexercised. The values of the warrants issued during in 2009 and 2008 were estimated on the date of issuance using the Black Scholes option-pricing model with the following assumptions adopted at the measurement date:

	2009	2008
Risk-free interest rate	1.36%	1.21%
Expected life	2.0 years	2.0 years
Estimated volatility in the market price of the common shares	126.6%	126.6%
Dividend yield	Nil	Nil

(c) Stock options

The Company has two stock option plans under which options to purchase common shares of the Company are outstanding. The Stock Option Plan - 2008 (the "Plan") was adopted by the Board in February 2008 and approved by shareholders in April 2008. The Plan replaced the Company's prior stock option plan (the "Prior Plan") and no new options will be granted under the Prior Plan. Options previously granted under the Prior Plan will continue to be outstanding in accordance with their respective terms of grant.

For the two years ended December 31, 2009 (Canadian dollars)

Persons eligible to participate under the Plan are directors, officers and employees of the Company and its subsidiaries, as well as consultants to the Company. Under the Plan, the Company has authorized the reservation for issuance for the grant of stock options of the number of shares equal to 10% of the Company's outstanding common shares at any time. The exercise price of each option must equal or exceed the closing market price of the Company's common shares on the TSX Venture Exchange on the day immediately prior to the day on which the option is granted. The options have a maximum term of five years. The number of shares reserved for issuance pursuant to stock options granted to insiders, whether under the Plan, the Prior Plan or any other compensation arrangement, cannot exceed 10% of the outstanding shares of the Company. The aggregate number of shares reserved for issuance to any one person cannot exceed 5% of the outstanding shares of the Company. If option rights granted to an individual under the Plan expire or terminate for any reason without having been exercised in respect of certain Optioned Shares, such Optioned Shares may be made available for other options to be granted under the Plan. The Plan is administered by the Board of Directors, which has full and final authority, but subject to the express provisions of the Plan and the approval of the TSX Venture Exchange. In accordance with the requirements of the TSX Venture Exchange, the Plan is subject to annual shareholder approval. The following summarizes the stock options that have been granted, exercised, cancelled, or expired during the two years ended December 31, 2009 (Options granted prior to February 2008 were granted under the Prior Plan and all other options granted were granted under the Plan):

	Number of stock options	Weighted average exercise price ($)
Outstanding and exercisable, December 31, 2007	206,667	2.90
Options granted	2,100,000	0.63
Options exercised	(220,000)	0.63
Options cancelled	(36,666)	2.35
Options expired	(33,333)	6.00
Outstanding and exercisable, December 31, 2008	2,016,668	0.74
Options granted	2,850,000	0.34
Options cancelled	(700,000)	0.53
Options expired	(13,334)	4.28
Outstanding and exercisable, December 31, 2009	4,153,334	0.49

During 2008 and 2009, all of the options were granted when their exercise price equaled the fair value of the stock at grant date. The weighted-average remaining contractual life of all stock options outstanding is 45 months.

Expiry date	Number of stock options	Exercise price ($)
February 11, 2010	20,000	3.30
June 30, 2010	6,667	2.70
February 13, 2011	13,334	2.85
June 28, 2011	10,000	1.80
September 28, 2011	50,000	1.65
November 6, 2011	13,333	1.50
December 11, 2011	10,000	1.35
March 1, 2013	1,405,000	0.63
February 11, 2014	2,125,000	0.32
April 20, 2014	250,000	0.30
April 20, 2014	250,000	0.60
	4,153,334	0.49

The fair value of stock options granted are credited to Contributed Surplus in the year they vest. Stock options that are exercised will be recorded as share capital and stock options that expire unexercised will remain in contributed surplus. All options outstanding at December 31, 2009 expire at various dates until April 20, 2014. All options granted prior to 2008, plus 920,000 of the options granted during 2008, and 1,440,000 of the options granted during 2009, vested immediately upon granting; 337,500 options granted during 2008 vested one year after granting, and 337,500 options will vest two years after granting; 637,500 options granted during 2009 will vest one year after granting, and 637,500 options will vest two years after granting. In 2009, the Company recognized a stock-based compensation expense of $493,309 (2008 - $451,897) and capitalized $97,828 (2008 – $171,212).

The weighted average exercise price at the date of grant for stock options granted during the current year was $0.34 per share. The fair value of each option was estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions at the measurement date:

	2009	2008
Risk-free interest rate	2.37%	3.14%
Expected life	5.0 years	5.0 years
Estimated volatility in the market price of the common shares	196%	64%
Dividend yield	Nil	Nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(d) Capital Stock Offering

In 2008, the Company issued 27,146,319 common shares for gross proceeds of $7,782,858 summarized as follows:

Date	Securities issued	Description of securities	Price	Gross proceeds
February 5, 2008	8,196,456	Common shares	0.61	4,999,838
March 30, 2008	310,029	Common shares	0.70	217,020
March 31, 2008	70,422	Common shares	0.71	50,000
April 24, 2008	983,606	Common shares	0.61	600,000
October 1, 2008	41,806	Common shares	0.598	25,000
October 16, 2008	220,000	Common shares	0.63	138,600
December 20, 2008	1,000,000	Common shares	0.12	120,000
December 23, 2008	16,324,000	Common shares units	0.10	1,632,400

The private placement completed on February 5, 2008 included 1,153,606 common shares issued to directors and officers of the Company; 1,380,451 common shares were issued on March 30 and 31, 2008 and on December 20, 2008 in satisfaction of $387,020 due to suppliers of the Company; 41,806 common shares were issued on October 1, 2008 to Breakwater (as stated in 4(c) above); 220,000 common shares were issued on exercise of options granted earlier in the year to a director of the Company; and the private placement completed on December 23, 2008 included 6,174,000 common shares units ("Units") issued to directors and officers of the Company. Each Unit consisted of one common share of the Company and one half of one share purchase warrant and each full warrant is exercisable at $0.25 per share for up to 24 months. Total share issue costs incurred in 2008 were $146,067.

In 2009, the Company issued 37,425,998 common shares for gross proceeds of $4,317,600 summarized as follows:

For the two years ended December 31, 2009 (Canadian dollars)

Date	Securities issued	Description of securities	Price	Gross proceeds
February 6, 2009	8,676,000	Common shares units	0.10	867,600
November 10, 2009	22,130,998	Common shares	0.12	2,655,720
November 23, 2009	6,619,000	Common shares	0.12	794,280

The private placement completed on February 6, 2009 consisted of common share units (“Units”). Each Unit consisted of one common share of the Company and one half of one share purchase warrant, with each full warrant exercisable at $0.25 per share for up to 24 months. The private placement completed on November 10, 2009 included 9,133,333 common shares issued to directors and other insiders of the Company. Total share issue costs incurred in 2009 were $331,793, which included paying $118,003 in cash finders’ fees, and incurring $106,500 from issuing 983,360 compensation warrants, exercisable at $0.13 per common share of the Company for one year (note 6(b)).

On September 23, 2009, 5,750,000 common shares were issued to Canadian American Mining Company LLC (“CAMC”) (as fully stated in 4(a) above).

(e) Shareholder Rights Plan

In November 2000, the Board of Directors adopted a Shareholder Rights Plan (the “Plan”), the terms of which are set forth in a Shareholder Rights Plan Agreement dated as of November 17, 2000 between the Company and Equity Transfer Services Inc. The Plan was approved by the shareholders at the annual meeting held on March 15, 2001. The Plan will be in effect until the 2011 annual meeting, unless terminated earlier by the Board of Directors.

Under the Plan, a right to purchase one of the Company’s common shares (a “Right”) was issued for each outstanding common share as of November 17, 2000. In addition, a Right will be issued for each share issued subsequent to November 17, 2000 and prior to the separation date of the Rights. The rights are initially not separate from the Company’s common shares nor are they represented by separate certificates. However, upon a person acquiring ownership of 20% or more of the Company’s common shares (other than by means of complying with the Plan’s Permitted Bid provisions or with approval of the Board of Directors of the Company), a holder of a Right (other than the acquirer of 20% or more of the Company’s common shares) becomes entitled to exercise the Right and to purchase the number of common shares as determined under the Plan at a 50% discount to the then prevailing market price per share.

Under the Plan, a Permitted Bid is, among other things, a bid made to all shareholders for all common shares that is open for at least 60 days and which must be accepted by holders of at least 50% of the Company’s outstanding common shares, excluding shares held by the offeror and certain related parties. If at the end of 60 days, at least 50% of the outstanding shares, other than those owned by the offeror and certain related parties, have been tendered to the bid, the offeror may take up and pay for the shares, but must extend the bid for a further 10 days to allow other shareholders to tender. The Rights may, in certain circumstances, be redeemed by the Company at a price of $0.00001 per Right.

7. INCOME TAXES

The Company has non-capital tax losses of approximately $11,254,000 expiring between 2010 and 2029 which are available to reduce future Canadian taxable income. These losses expire as follows:

2010	2011	2015	2026	2027	2028	2029	Total
1,084,000	1,643,000	1,222,000	2,193,000	1,602,000	2,017,000	1,493,000	11,254,000

The Company has operating losses of approximately US$2,270,000 expiring between 2010 and 2029, which are available to reduce future United States taxable income. The Company has not paid any income taxes during the last three taxation years.

The income taxes shown in the consolidated statement of earnings differ from amounts calculated by applying the statutory rates to earnings before provisions for income taxes due to the following:

	Year Ended December 31, 2009	Year Ended December 31, 2008
Loss before future income tax provision (recovery)	(1,817,921)	(2,114,540)
Income taxes at Canadian statutory rates - 33% (2008 - 33.5%)	(599,914)	(708,371)
Permanent differences	163,073	-
Share issue costs	(98,171)	(127,926)
Other	177,375	196,251
Total	(357,637)	(640,046)
Comprising of:		
Future income taxes (recovery) - Canada	-	-
Future income taxes (recovery) - U.S.A.	(357,637)	(640,046)

Summary of future income tax liability:

	As at December 31, 2009	As at December 31, 2008
Mineral properties	1,125,762	1,180,388
Non capital losses carried forward	4,073,789	4,573,138
Capital losses carried forward	586,315	695,155
Share issue costs	117,229	144,908
Other	251,474	279,829
	6,154,569	6,873,418
Valuation allowance	(5,266,472)	(5,841,871)
	888,097	1,046,706
Future tax liability	(4,904,057)	(5,420,303)
Net future tax liability	(4,015,960)	(4,373,597)

During the current year, the Company recorded a valuation allowance in the amount of $5,266,472 (2008 - $5,841,871) in respect of Canadian non-capital losses carried forward.

8. RELATED PARTY TRANSACTIONS

At December 31, 2009, accounts payable and accrued liabilities includes $25,709 owing to various directors, officers, and employees of the Company. A director of the Company subscribed for 3,333,333 shares issued in the private placement completed in November 2009.

For the two years ended December 31, 2009 (Canadian dollars)

9. SEGMENTED INFORMATION

The Company currently operates in Canada and the United States. Corporate administrative activities are conducted from Canada. The income and expenses for the two years ended December 31, 2009, and the assets of those years identifiable to those segments are as follows:

	Canada	USA	Consolidated
December 31, 2009			
Interest and other income	$ 4,760	$ -	$ 4,760
Stock-based compensation	493,309	97,828	591,137
Loss and comprehensive loss for the year	1,312,713	147,571	1,460,284
Identifiable assets	1,554,780	36,407,620	37,962,400
Expenditures for additions to:			
Mineral properties	-	2,818,616	2,818,616
Property, plant and equipment	-	76,532	76,532
December 31, 2008			
Interest and other income	$ 38,998	$ -	$ 38,998
Stock-based compensation	451,897	171,212	623,109
Loss (income) and comprehensive loss (income) for the year	2,070,559	(635,063)	1,435,496
Identifiable assets	500,352	33,907,905	34,408,257
Expenditures for additions to:			
Mineral properties	-	3,857,813	3,857,813
Property, plant and equipment	2,766	394,872	397,638

10. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain the confidence of shareholders and investors in the implementation of its business plans by: (i) maintaining sufficient levels of liquidity to fund and support its exploration and development stage properties and other corporate activities, and (ii) maintaining a strong balance sheet, to ensure ready access to debt and equity markets, to facilitate the development of major projects. Management monitors its financial position on an ongoing basis.

Since the Company is in the development stage and does not have any third party long term debt, all of the Company's capital comes from the issuance of equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The acquisition, exploration, financing and development of natural resources require the expenditure of significant funds before production commences. Historically, the Company has financed these activities through the issuance of common shares, the exercise of options and common share purchase warrants, promissory notes and extended terms from creditors. The Company has not declared or paid any dividends and does not foresee the declaration or payment of dividends in the near future. Any decision to pay dividends on its shares will be made by the board of directors on the basis of the Company's future earnings, financial requirements and other conditions existing at such future time.

11. FINANCIAL INSTRUMENT RISK FACTORS

A summary of the Company's risk exposures as they relate to financial instruments is provided below.

Market Risk

Market risk is the risk of material loss that may arise from changes in market factors including foreign exchange and the price of gold.

i) Foreign currency risk

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. The rate published by the Bank of Canada at the close of December 31, 2009 was 1.0466 Canadian dollars to one U.S. dollar. Based on past gains and losses arising from foreign exchange transactions, future gains and losses are not expected to have a major impact on the Company's future earnings or losses.

ii) Commodity prices risk

Since the Company is not expected to be in production until 2011, currently there is no risk arising from changes in the price of gold and silver. At that time, prices of gold and silver are expected to be major factors influencing the Company's business, results of operations, financial condition, cash flow from operations, exploration, mining and development activities and trading price for its common shares. Gold and silver prices may fluctuate widely and are affected by numerous factors beyond the Company's control.

Sensitivity Analysis

As of December 31, 2009, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent. The Company believes the following movements are reasonably possible over a twelve-month period:

(a) There would be little impact on the cash and cash equivalents held as the Company does not earn any significant interest on them.

(b) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

12. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the presentation adopted in 2009.

13. SUBSEQUENT EVENTS

On December 1, 2009, the Company's wholly owned subsidiary, Atlanta Gold Corporation, entered an agreement (the Agreement) with Newmont USA Limited (Newmont) to acquire certain mine buildings and equipment from Newmont. The purchase was completed on February 1, 2010, and the Company issued, as consideration for the purchased assets, 4,535,600 common shares to Newmont, valued at approximately US $1 million. In accordance with the terms of the Agreement, the measurement of the purchase consideration was based on the simple average of the closing prices of the Company's common shares on the TSX Venture Exchange for the five trading days ending immediately prior to the date of the agreement. Relocation of the purchased assets by the Company from Newmont's properties is required to be completed by October 31, 2010.

CORPORATE INFORMATION

DIRECTORS

James K. Gray, O.C. *
Founder and former Chairman,
Canadian Hunter Exploration Ltd.

W. Warren Holmes
Chairman and Director,
Nuinsco Resources Limited

Eric J. Berentsen *
President,
Jipangu Exploration Inc.

Allan J. Folk *
Vice President,
Brant Securities Limited

John D. Jackson
Owner of Jackson Oil, Inc.
and Jackson Food Stores, Inc.

William (Bill) J. C. Baird
President and Chief Executive Officer

* Member of the Audit Committee

OFFICERS

James K. Gray, O.C.
Chairman

W. Warren Holmes
Executive Vice Chairman

William (Bill) J. C. Baird
President and Chief Executive Officer

W. Ernest Simmons
Chief Operating Officer

Domenico Bertucci
Acting Chief Financial Officer

F. Paul Collins
Lang Michener LLP, Legal Counsel,
Corporate Secretary

EXPLORATION, DEVELOPMENT & ENVIRONMENTAL TEAM

W. Ernest Simmons
Chief Operating Officer

Robert B. Fraser
Construction Coordinator

Becky Shull
Environmental Management Systems Technician

CORPORATE HEAD OFFICE

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100 King Street West
Toronto, Ontario, Canada M5X 1C9
Telephone: 416-777-0013
Fax: 416-777-0014
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E-mail: info@atgoldinc.com

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LEGAL COUNSEL

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Brookfield Place, P.O. Box 747
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AUDITORS

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Chartered Accountants
Royal Trust Tower, Suite 3000
P.O. Box 82 , Toronto Dominion Centre
77 King Street West
Toronto, Ontario, Canada, M5K 1G8

INVESTOR RELATIONS & CORPORATE COMMUNICATIONS

Christopher Haldane
CHF Investor Relations
Suite 600, 90 Adelaide Street West
Toronto, Ontario, Canada M5H 3V9
Telephone: 416-868-1079
Fax: 416-868-6198
Website: www.chfir.com
E-mail: chris@chfir.com

Neil Simon
Investor Cubed Inc.
4th Floor - 40 Front Street East,
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Telephone: 1-888-258-3323
Fax: 416-363-7977
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Toronto Ontario, Canada, M5H 4H1
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Fax: 416-361-0470
Website: www.equitytransfer.com

STOCK EXCHANGE LISTING

TSX Venture Exchange: TSXV:ATG

AUTHORIZED CAPITAL

Unlimited common shares
Unlimited first preference shares, issuable in series
Unlimited second preference shares, issuable in series

ISSUED CAPITAL

At March 10, 2010:
94,584,474 Common Shares - basic
113,301,168 Common Shares - fully diluted

ANNUAL SHAREHOLDERS MEETING

The Annual and Special Meeting of the Shareholders will be held in Toronto at 10:00 a.m. (EDT), Wednesday, May 19, 2010 at the following location:

Lang Michener LLP
Suite 2500, Brookfield Place
181 Bay Street
Toronto, Ontario, Canada

CONVERSION FACTORS

1 foot = 0.3048 metres
1 mile = 1.6093 kilometres
1 square mile = 2.59 square kilometers
1 acre = 0.4047 hectares
1 troy ounce = 31.1035 grams
1 ton = 0.90718 tonnes
1 ton = 2000 pounds
1 pound = 0.4536 kilograms
1 ounce per ton = 34.2857 grams per ton

SHAREHOLDER INFORMATION

The Annual Report is one of several sources of information for shareholders of Atlanta Gold Inc.

Other sources include:

The unaudited comparative interim reports published quarterly.

The Management Information Circular describing the matters to be considered at the Annual and Special Meeting of Shareholders.

The Annual Information Form and other corporate and continuous disclosure documents are available at the Company's website (www.atgoldinc.com) or the CDS SEDAR website (www.sedar.com).

Atlanta Gold Inc.
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