Management Discussion and Analysis

This discussion and analysis of financial position and results of operations of Atlanta Gold Inc. (the "Company") and its subsidiaries for the three months ended March 31, 2012 and 2011 has been prepared as of May 23, 2012.

The discussion below should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and the notes thereto for the three months ended March 31, 2012 and 2011 and the audited consolidated financial statements of the Company for the year ended December 31, 2011. All amounts are expressed in U.S. dollars and all amounts in financial tables, except per share amounts, are expressed in thousands of U.S. dollars unless otherwise indicated.

Effective January 1, 2011, the Company commenced preparing its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board (IASB). The Company's financial statements from incorporation to December 31, 2010 were prepared in accordance with Canadian generally accepted accounting principles ("CGAAP"). Financial information for periods since January 1, 2010 has been restated to conform to the accounting principles adopted on January 1, 2011. Financial information for periods prior to January 1, 2010 has not been restated and is reported in accordance with CGAAP.

Additional information relating to the Company is filed with securities regulatory authorities in Canada and is available on SEDAR at www.sedar.com.

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 impact of increasing the open-pit mining cut-off grade on the recoveries and economics of the Atlanta project; the interpretation of exploration results received to date and the expected enhancement of the gold resource at Atlanta following the completion of additional exploration; the completion of a bulk sample and the timing thereof; the completion of a preliminary economic assessment, pre-feasibility and feasibility studies on the Atlanta project; the development of a gold mine and potential commercial gold production levels at Atlanta and the timing thereof; the completion of and use of proceeds from future financings and the adequacy thereof; the use of the Boise property; the continuance and enhancement of environmental initiatives, including the implementation of the Supplemental Plan of Operations, and the effectiveness thereof; the outcome of the environmental litigation undertaken against the Company's subsidiary and the timing thereof; the continuance of developmental initiatives including securing requisite permits; 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 operating 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 resource; 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, including the risk of significant penalties being awarded by the Court against the Company's subsidiary in the ongoing environmental litigation, adverse weather conditions, and the risk of fluctuations in gold prices and foreign exchange rates.

Such forward-looking information is based on a number of assumptions, including but not limited to, the successful and timely completion of additional financings, 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, operating and price assumptions on which they are based, the ability to achieve capital and operating cost estimates, an outcome favourable to the Company's subsidiary in the environmental litigation 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.

Information Concerning Estimates of Mineral Resources

The mineral resource estimates reported in this document were prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission ("SEC") applies different standards in order to classify mineralization as a reserve. In particular, while the terms "Measured," "Indicated" and "Inferred" mineral resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, "Inferred" mineral resources have a

great amount of uncertainty as to their existence and their economic feasibility. It cannot be assumed that all or any part of an Inferred mineral resource will ever be upgraded to a higher category.

OVERVIEW

The Company's shares trade on the TSX Venture Exchange (TSX.V: ATG) and on the OTCQX (OTCQX: ATLDF).

The Company is engaged in the exploration, environmental permitting, engineering and development of the Atlanta Gold project ("Atlanta"), an advanced-stage gold property near Atlanta, Idaho, U.S.A, through the Company's wholly-owned subsidiary, Atlanta Gold Corporation ("AGC").

In early 2008, the Company adopted a combined open pit and bulk tonnage underground mining strategy, abandoning the prior low grade open pit mining and cyanide heap leach strategy, which was regarded as unpermittable. In 2008 the decision was also made to process the ore on site, making both a gravity concentrate and a precious metal rich sulphide concentrate, thereby also minimizing short and long term environmental impact, and significantly improving recoveries (from 63% to 83% for gold). The hypothesis that the Company decided to test was that 1) a significant gold deposit both near surface and at depth could be outlined, 2) the revised mining and processing strategy would be much easier to permit, because the environmental impact would be minimized, and 3) the potential for a long term operation would be very attractive to the local community and to the state, because of the expected economic and social benefits of the Atlanta gold project.

The change in strategy required almost a complete restart of the resource definition. Over the last four years the Company has established an enviable record of outlining resources, and has been able to outline an Indicated mineral resource of 785,000 gold equivalent ounces within 7.77 million tons at an average grade of 0.101 ounces per ton ("opt") (3.46 grams per tonne) ("gpt") AuEq and an Inferred mineral resource of 397,300 gold equivalent ounces contained within 2.72 million tons at an average grade of 0.146 opt (5.01 gpt) AuEq. Approximately 74.3% of this resource is open pitable. Details of this Resource, including gold and silver ounces and the respective grades thereof, are shown in the table below under "*NI 43-101 Resource Estimate*". Additional detail is available on SEDAR and the Company's website.

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 open pit and underground mine at Atlanta in a timely manner.

NI 43-101 Resource Estimate

In January 2012 P&E Mining Consultants Inc. ("P&E") of Brampton, Ontario completed an independent updated resource estimate on the Company's Atlanta property in Idaho, USA. The estimate incorporates all drilling results to date, including the 56,924 foot (17,350 metre) core drilling program completed in 2011.

P&E estimates an Indicated mineral resource of 752,000 gold ounces within 7.77 million tons at an average grade of 0.097 ounces per ton ("opt") (3.32 grams per tonne) ("gpt") Au and an Inferred mineral resource of 385,900 ounces contained within 2.72 million tons at an average grade of 0.142

opt (4.87 gpt) Au. Using a gold to silver price ratio of 50.35:1, the updated Indicated mineral resource is 785,000 gold equivalent ("AuEq") ounces within 7.77 million tons at an average grade of 0.101 opt (3.46 gpt) AuEq and the Inferred mineral resource is 397,300 AuEq ounces within 2.72 million tons at an average grade of 0.146 opt (5.01 gpt) AuEq.

Details of the P&E resource estimate as at January 31, 2012 are provided in the following table:

		GOLD				SILVER				TOTAL EQUIVALENT OUNCES OF GOLD (000's)
			Grade			Grade				
Area	Tons (000's)	Cut-Off Grade Au (opt)	Ounces Per Ton Au	Grams Per Tonne Au	Ounces of Gold (000's)	Ounces Per Ton Ag	Grams Per Tonne Ag	Ounces of Silver (000's)	Ounces of Silver as Gold Equivalent (000's)	
OPEN -PIT:										
Indicated	**7,140**	**0.035**	**0.091**	**3.13**	**652.4**	**0.218**	**7.47**	**1,556.4**	**29.6**	**682.0**
Inferred	**1,478**	**0.035**	**0.127**	**4.36**	**188.2**	**0.275**	**9.43**	**406.5**	**7.8**	**196.0**
UNDERGROUND:										
Indicated	**633**	**0.098**	**0.157**	**5.40**	**99.6**	**0.163**	**5.59**	**103.2**	**3.4**	**103.0**
Inferred	**1,239**	**0.098**	**0.160**	**5.47**	**197.7**	**0.153**	**5.25**	**189.6**	**3.6**	**201.3**
TOTAL:										
Indicated	**7,773**		**0.097**	**3.32**	**752.0**	**0.214**	**7.32**	**1,659.6**	**33.0**	**785.0**
Inferred	**2,717**		**0.142**	**4.87**	**385.9**	**0.219**	**7.52**	**596.1**	**11.4**	**397.3**

1. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
2. The quantity and grade of reported Inferred resources in this estimate are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured mineral resource category.
3. The mineral resources in this news release were estimated using the CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions.
4. Gold equivalent ("AuEq") was calculated such that one ounce of Au = 50.35 ounces Ag. Metal prices used were the January 31, 2012 two-year trailing average for Au at US$1,419/oz and Ag at US$28.18/oz with respective mill recoveries of 83% for gold and 88% for silver. Prevailing metal prices at January 31, 2012 were US$1,744.00 per ounce of gold and US$33.60 for silver.
5. The historically mined tonnage from historic operations was removed from the block model.
6. Gold cut-off grades of 0.035 opt (1.20 gpt) for open pit and 0.098 opt (3.36 gpt) for underground resources were established from metal prices, expected recoveries, and estimated operating costs. Operating costs for the open pit resource estimate cut-off grade calculation were mining costs of $2 per ton, G&A expenses of $8 per ton and processing and concentrate shipping and smelter charges of $32 per ton. Operating costs for the underground resource estimate cut-off grade calculation were mining costs of $60 per ton, G&A expenses of $8 per ton and concentrate shipping and smelter charges of $42 per ton.

Mineral resources contained within a preliminary optimized pit shell are considered to be amenable to lower cost open pit extraction, whereas mineral resources below this are considered to be amenable to underground extraction. Open pit slopes were 50 degrees.

The average gold equivalent grade (including silver resources as a gold equivalent) of the open pit resource is 0.096 opt (3.28 gpt) AuEq in the Indicated resource classification and 0.133 opt (4.55 gpt) AuEq in the Inferred open pit resource classification. The average gold equivalent grade of the underground resource is 0.163 opt (5.58 gpt) AuEq in the Indicated resource classification and 0.162 opt (5.57 gpt) AuEq in the Inferred underground resource classification.

In light of the Company's decision to focus on environmental permitting and engineering and economic studies required to bring the Company's Atlanta Project to production, in February 2012, P&E prepared a preliminary gold cut-off grade sensitivity analysis on the Atlanta Project's open-pit resource.

The open-pit contains 74.3% of the total NI 43-101 open-pit and underground resources, reflecting the density of diamond drilling in the upper portion of the resource. P&E's sensitivity analysis on the open-pit resource indicates that by increasing the open-pit cut-off grade from 0.035 opt (1.20 gpt) Au used in the January 2012 NI 43-101 resource estimate to 0.060 opt (2.06 gpt) Au, the potential exists to increase the average gold equivalent grade of that resource by 23.5% percent (from 0.102 opt (3.50 gpt) to 0.126 opt (4.32 gpt) Au, while decreasing the tonnage by 30.7% (from 8.62 to 5.97 million tons).

The impact of using higher cut-off grade sensitivity to the open-pit resource is shown in the table below.

	SELECTED CUT-OFF GRADES		TONS	GOLD			SILVER			GOLD EQUIVALENT		
				Grade			Grade			Grade		
	Au (opt)	Au (gpt)	(000s)	Ounces Per Ton Au	Grams Per Tonne Au	Ounces of Gold (000s)	Ounces Per Ton Ag	Grams Per Tonne Ag	Ounces of Silver (000s)	Ounces Per Ton AuEq	Grams Per Tonne AuEq	Equivalent Ounces of Gold (000s)
Indicated	**0.060**	**2.06**	**4,729**	**0.114**	**3.97**	**541**	**0.278**	**9.69**	**1,314**	**0.120**	**4.18**	**566**
	0.035	**1.27**	**7,140**	**0.091**	**3.13**	**652**	**0.218**	**7.47**	**1,556**	**0.096**	**3.35**	**682**
Inferred	**0.060**	**2.06**	**1,239**	**0.143**	**4.98**	**177**	**0.308**	**10.74**	**381**	**0.149**	**5.19**	**184**
	0.035	**1.20**	**1,478**	**0.127**	**4.36**	**188**	**0.275**	**9.43**	**407**	**0.133**	**4.64**	**196**

Lower grade material would be stock-piled and eventually processed when a later phase of potential production comes on stream.

Detailed economic studies will be required to optimize the cut-off grade, however, this preliminary sensitivity analysis indicates the potential to improve the Net Present Value of Atlanta by creating a higher grade alternative, which would be expected to reduce operating costs per ounce, raise recoveries and concentrate grades, and reduce capital costs and the environmental footprint of the Project.

The majority of the current resource is located between the surface and the 6,200-foot elevation (a vertical depth of 1,000 feet (305 metres) from the top of Atlanta Hill). Surface expressions of mineralized shear zones in the Atlanta project area cover a horizontal distance of 50,000 feet (15,250 metres). These mineralized shear zones have hosted numerous past-producing mines since the 1860s.

Other Properties

The Company continues to hold other lower priority exploration properties including the Abitibi gold property in eastern Quebec ("Abitibi") and the Jackson Inlet diamond property on the Brodeur peninsula of Baffin Island ("Brodeur").

Abitibi gold property, Quebec, Canada:
In September 2010, the Company's option to acquire a 60% interest in the Mouskor and Normar claim portions of the Abitibi property previously owned by Breakwater Resources, was exercised at no cost to the Company upon Niogold Mining Corp. ("Niogold") completing $1.2 million in exploration expenditures on the Malartic portion of the Abitibi property. The Company also retains a 2% NSR in the Malartic portion of the property. Niogold and the Company have renewed and kept all of the Abitibi claims in good standing until at least November 2012. The Company also holds a 100% interest in an additional 13 mining claims in the Abitibi area.

Brodeur diamond property, Baffin Island, Canada:
Brodeur consists of 24 mineral claims located on the Brodeur Peninsula of Baffin Island covering approximately 61,980 acres (250 square kilometres). After management's decision in late 2007 to primarily focus on the development of Atlanta, the Company has not incurred any exploration expenditures on Brodeur, but has maintained 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 from samples weighing a total of 248.4 tonnes. In December 2011, the Company accrued an estimated $200,000 in respect of restoration costs postponed to between June and September 2013, in connection with a report prepared in November 2010 by Indian and Northern Affairs Canada ("INAC"), following a site inspection undertaken by INAC officials in July 2010.

Atlanta Property History

Historic mining from 1860 to 1960 at Atlanta extracted 300,000 AuEq ounces at cut-off grades exceeding 0.4 opt (13.7 gpt) Au.

The Atlanta property was held by the Company through the 1990s and until 2007, with a plan to proceed on the basis of a low-grade open pit mine using a cyanide heap leach treatment to recover gold. This plan was abandoned by the Company at the end of 2007 as it was deemed not permitable, due to concerns arising from the use of cyanide.

In early 2008, the Company decided to identify the potential for a combined open pit and underground operation with gold recovered in a traditional process plant - 25% of the gold in a table gravity concentrate, and 75% in a flotation sulphide concentrate to be sold to a Nevada processor. Advantages are significant:

1) No cyanide use
2) Much smaller environmental footprint
3) Higher gold recoveries – (83% vs. 63%)
4) Longer Life-of-Mine potential

In 2008, a geological hypothesis was developed indicating the potential for a significant gold deposit both near surface and at depth, based on the data from historic mining and applicable drill data available at the end of 2007.

Recent Achievements

The Company completed 57,000 feet (17,350 metres) of diamond drilling in 2011 which established continuity along the 11,400 foot (3,475 metres) Shear Zone which confirmed the potential for one continuous open pit from the Idaho Zone in the west to the East Extension in the east. The program also provided further evidence that mineralization extends to a depth of more than 3,000 feet (900 metres).

In the first quarter of 2012 the Company completed an updated NI 43-101 resource estimate.

In May 2012, the Company submitted to the U.S. Forest Service (“USFS”) a Supplemental Plan of Operations (“SPOO”) with respect to reclamation and closure of the historic adit at the 900 level adjacent to Atlanta, the expansion of the existing pilot water treatment facility (“PWTF”) being voluntarily operated by AGC and ultimately, the closure of the PWTF and reclamation of the area on which the PWTF is located. Implementation of the SPOO will commence following approval of the SPOO by the USFS and it is believed that such implementation will improve both the current and long-term water quality issue related to the 900-level adit, resolve the environmental issues involved in the ongoing environmental litigation involving AGC (see “Environmental Matters-Environmental Litigation”) and provide a water supply for future operations.

Plan for Operations – 2012 and 2013:

The Company plans to bulk sample expanded trenches along the surface of the main Shear on private land acquired in 2011. The initial bulk sample of approximately 150 tons of material will be excavated and processed off site in 2012. If the gold recovery from this sample is favourable, subsequent bulk samples will be taken from exploration trenches with known mineable grades and may be processed on site in 2013. Bulk sampling will assist in determining the final design of the processing plant and related costs for the planned Preliminary Economic Assessment, Pre-Feasibility Study, Feasibility Study and Environmental Impact Statement.

The Company is shifting its primary focus from building the resource to environmental permitting, economic analysis, engineering and development and to add more depth to its team in order to accelerate environmental permitting, engineering and development. Atlanta is at a stage where such advanced planning is required to move towards production. The Company is presently investigating the feasibility of initiating pilot-scale gold processing from exploration trenching at Atlanta in advance of obtaining commercial production and in that regard, it has initiated an engineering program to identify, test and determine the critical path to early pilot-scale gold processing at Atlanta.

In order to sustain its operations, the Company requires additional funds to discharge its liabilities, conduct its work program on the Atlanta Project and meet its overhead expenses. The Company continues to seek capital through various means including farm-out / joint venture partnerships and the issuance of equity or debt. Although the Company has been successful in the past in financing its activities through the sale of equity / debt securities, the ongoing legal action filed against AGC by two environmental interest groups has adversely affected the Company’s share price and its ability to finance planned activities and ongoing operations.

Environmental Matters

South-western Idaho is an environmentally sensitive area due to its proximity to the City of Boise and the presence of recreational rivers in the area. The Company believes that it has removed the most significant environmental hurdles by modifying the process technology, planning to process high sulphide flotation concentrates out of state in order to reduce acid-generating capacity of waste tailings product on the Atlanta site, and by relocating the processing facility and tailings management facility to a more advantageous area. In addition, the Company continues to have open communications with both U.S. Forest Service and environmental groups to ensure that all parties know what is being planned, and understand each other's concerns. This optimizes the Company's ability to create an environmentally sound mining project at Atlanta.

Environmental Litigation

Companies previously in production at the historic mine site drove an adit at the 900 level (the "Adit") and groundwater drains from the Adit. The area contains naturally-occurring arsenic, which enters the waterways as a result of water passing through historic mined-out areas in the mineralized structure. In 2006, AGC constructed, and since that time has operated, the PWTF which treats water flowing from the Adit to remove significant levels of naturally-occurring contaminants, including arsenic. AGC holds no interest in the land on which the Adit is located nor does it have any right to use the groundwater that is discharged from the Adit. Subsequent to construction of the PWTF, permitted limits for effluents, including for arsenic, were significantly reduced. The permitted discharge limit for arsenic was reduced from 190 to 10 micrograms per liter (10 µ/L) or parts per billion. The PWTF as constructed was not capable of meeting these significantly lower limits. AGC subsequently modified its treatment regime and engaged consultants to evaluate various treatment options. In May 2012, AGC submitted to the USFS for approval a SPOO which proposes to construct a diversion pipeline to redirect water believed to be flowing through Montezuma Fault into the historic mine workings and discharging from the Adit to the existing PWTF, to expand and improve the existing PWTF, and to ultimately close the Adit to eliminate the water discharge and reclaim the area where the PWTF is currently located. AGC has been working closely with regulatory agencies over the past eighteen months to evaluate alternative methods to decrease effluents and appears to be making progress towards an agreement on the appropriate method. Since the commencement of PWTF operations, AGC has been completely transparent with the regulators, filing all required discharge monitoring reports.

In February 2010, the United States Environmental Protection Agency ("EPA") advised AGC that discharge monitoring reports received from AGC since August 2009 indicated certain effluent limit violations and expressed concern that arsenic and iron concentrations could continue to exceed effluent limitations until additional treatment or other corrective actions are implemented. The EPA conducted an audit of AGC's records in order to evaluate its compliance with the *United States Federal Water Pollution Control Act* (the "Clean Water Act").

In April 2011, the Idaho Conservation League ("ICL") and the Northwest Environmental Defense Center ("NEDC"), two environmental interest groups, filed a complaint in the United States District Court for the State of Idaho against AGC alleging violations of the Clean Water Act with respect to the operation by AGC of the PWTF and water discharged into Montezuma Creek from property which the Company then leased.

On January 9, 2012 the Court granted the motion for partial summary judgment sought by ICL and NEDC. In its findings, the Court did not conclude that AGC caused pollutants to be discharged. The Court found that the levels of arsenic in the water discharge violated the effluent limit contained in the permit held by AGC. Any penalties to be assessed, which could include fines and/or declaratory relief requiring or prohibiting certain activities of AGC, will be considered at the next stage of the Court proceedings. A decision of the Court in these proceedings is expected to be received late in the second quarter or early in the third quarter of 2012. While the Company is disappointed with the Court's previous ruling, it is believed that the Court will recognize AGC's past and continuing efforts to remove arsenic. From operating the PWTF, AGC has gathered important scientific data to commit to environmental compliance for future planned operations.

AGC has cooperated and continues to cooperate and consult with the USFS, the EPA, Idaho Department of Environmental Quality and Idaho Department of Water Resources regarding AGC's activities and environmental protection initiatives in Atlanta.

It is not currently possible to determine the nature or extent of the declaratory and injunctive relief and / or civil penalties, if any, which could be imposed by the Court should the environmental groups receive all relief requested by them. Depending on the nature and extent of the penalties imposed by the Court, such imposition could have a material adverse effect on the business and affairs of AGC and on the Company.

PURCHASE OF A 5.58-ACRE PROPERTY IN BOISE, IDAHO

In August 2011, AGC completed the purchase of a 5.58-acre property in Boise, Idaho. The purchase price of $860,000 was satisfied by a $100,000 cash payment, a $425,000 7% three-year promissory note and the issuance of 2,066,829 common shares of the Company valued at $335,000, to the vendor. This property, which has excellent highway and rail access, is intended to be used by AGC as a corporate office, warehouse, training centre, truck depot, marshalling yard, service centre and the turnaround for goods going to and from Atlanta.

OWNERSHIP OF ATLANTA PROPERTIES

Atlanta was initially held as a joint venture between AGC, with an 80% interest and Canadian American Mining Company, LLC ("CAMC") with a 20% participating interest. CAMC subsequently agreed to transfer its 20% participating interest in the joint venture to AGC, and retain a 2% NSR royalty (the "Royalty") on Atlanta. In September 2009, the Company purchased one-half of the Royalty (1%) from CAMC by issuing 5.75 million common shares of the Company, which were valued at $1,035,000, and agreeing to pay an additional $200,000 to CAMC payable over 17 months. The final payment to complete the purchase of one-half of the Royalty (1%) was completed in January 2011.

Atlanta consists of owned and leased patented and unpatented claims, as described below.

1. **<u>Monarch Greenback LLC</u>**

   On April 28, 2011, AGC exercised its option to purchase a 100% interest in a property comprised of 33 mining claims totalling approximately 430 acres (the "Monarch Property") from Monarch Greenback LLC ("Monarch") for $3,075,000. The purchase of the Monarch Property was completed on June 8, 2011. To assist in the financing of the purchase, the Company borrowed $3 million by way of a secured, non-interest bearing bridge loan (the "Bridge Loan") from Concept Capital Management Ltd. ("CCM"), which was subsequently repaid by the issuance by the

Company of a 6% convertible debenture in the principal amount of C$3 million (the “Debenture”). Terms of the Bridge Loan and the Debenture are described below under “Debt Financing”.

Upon AGC exercising its option to purchase, rental payments to Monarch totalling $290,000 per annum on the Monarch Property were terminated. Monarch retained a variable net smelter return royalty, varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding US$665 per ounce. As at March 31, 2012, advance royalty payments of $1,500,000 had been paid by AGC to Monarch and will be deducted from future royalty payments to Monarch.

2. **Hill & Davis**
   The Hill & Davis patented mining claim was purchased for $139,500 in five annual payments, pursuant to an amended lease-purchase option agreement with Born, Johns and Rhees, of which the final option payment of $30,975 ($29,500 plus accrued simple interest of $1,475 @ 5% per year) was made in December 2010.

3. **F. C. Gardner**
   AGC leases 31 unpatented lode claims pursuant to a lease agreement, as amended, with F. C. Gardner. The lease expires on April 18, 2016. Lease payments are currently $10,000 per year and are treated as minimum annual advance royalties. If these claims go into commercial production before expiry of the lease, then the annual minimum advance royalty will be $20,000. If this property is mined, F. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at March 31, 2012 advance royalty payments of $178,500 have been made and will be deducted from any future royalty payments to F. Gardner.

4. **Hollenbeck Properties LLC**
   AGC leases 9 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease expires November 14, 2012 and is renewable year to year thereafter at an amount to be negotiated. Lease payments of $10,000 per year are treated as minimum advance royalties. If this property goes into commercial production, then the annual minimum advance royalty will be $20,000. If it is mined, Hollenbeck will receive a 4.25% NSR, from which all advance royalty payments shall be deducted. As at March 31, 2012, advance royalty payments of $292,500 had been paid and will be deducted from any future royalty payments to Hollenbeck.

Annual rental and advance royalty payments are required to keep lease agreements in good standing for the properties that collectively comprise the Property. Advance royalty payments to lessors are credited against future royalties payable on production. As at March 31, 2012, advance royalty payments totalling $2,174,500 will be deducted from any future royalty payments to lessors / royalty holders. Lease payments made in the fourth quarter of 2011 and advance royalty payments as at March 31, 2012 are summarized in the table below.

Lessor / Royalty Holder	Property	Payments in Q1 of 2012 $	Advance Royalty Payments as at March 31, 2012 $
Monarch Greenback, LLC[1]	Monarch Greenback	-	1,500,000
Born, John and Rhees[2]	Hill & Davis	-	203,500
Frank C. Gardner [3]	Gardner	-	178,500
Hollenbeck Properties LLC [4]	Minerva	-	292,500
TOTAL		-	2,174,500

Notes:

(1) Rental payments to Monarch totalling $290,000 per annum were extinguished upon purchase of this property in June 2011.
(2) Royalty obligation was extinguished upon purchase of this property in December 2010.
(3) $10,000 annual lease payment was paid on May 1, 2011.
(4) $10,000 annual lease payment which was paid on November 15, 2011 on the Hollenbeck claims. The lease currently runs to November 2012 and is renewable thereafter. Annual lease payments are credited towards future royalty payments.

DEBT FINANCING

Bridge Loan and Debenture.

To assist in the financing of the purchase of the Monarch Property, the Company borrowed $3 million by way of the Bridge Loan, which was secured by a limited recourse guarantee of AGC with recourse limited to a mortgage on the Monarch Property. The Bridge Loan was repaid on December 14, 2011 upon issuance by the Company to CCM of the Debenture and warrants to purchase 30 million common shares of the Company. The warrants are exercisable for five years at a price of C$0.11 per share.

The Debenture matures on December 15, 2016, bears interest of 6% per annum commencing from July 11, 2011, and is convertible in whole or in part at the option of CCM at any time into common shares of the Company at a conversion price of C$0.10 per share (the “Conversion Price”). Interest on the Debenture is payable annually beginning December 14, 2012 and, at the election of the Company, may be paid in cash or, subject to the approval of the TSX Venture Exchange (the “TSXV”), in common shares at an issue price per share equal to the average of the closing prices of the Company’s common shares on the TSXV for the 20 trading days ending 5 business days prior to the interest payment date or such higher issue price as may be required by the policies of the TSXV. If and for so long as an event of default occurs, interest will be payable at the rate of 8.5% per annum.

The Debenture is subordinated in right of payment of principal and interest to all secured debt of the Company, whether outstanding on or after the date of issue of the Debenture. AGC provided CCM with a guarantee of the Debenture, with recourse limited to a mortgage on the Monarch Property. The Company has agreed to not permit AGC to incur additional secured debt in excess of US$10 million (subject to certain exceptions) without the prior consent of CCM, such consent not to be unreasonably withheld, conditioned or delayed.

After December 14, 2012, the Company has the right to redeem all or part of the Debenture if the closing price of the Company's common shares on the TSXV on each of the 27 consecutive trading days prior to notice of redemption being provided, is not less than 3.5 times the Conversion Price (that is, based on the initial Conversion Price, the closing price is not less than C$0.35). Subject to the satisfaction of that condition, the Company will have the right to redeem all or part of the Debenture by paying the principal and accrued interest thereon plus a redemption fee of 6% if redeemed prior to December 14, 2013, 4% if redeemed prior to December 14, 2014 or 2% if redeemed prior to December 14, 2015. The Company must provide 30 days prior notice of redemption and CCM may elect to convert the Debenture into common shares prior to the redemption being effected.

CCM has the right to require the Company to redeem the Debenture at any time after December 14, 2014 and at any time following a change of control or merger transaction. A change of control means the acquisition by any person or group of persons acting jointly or in concert of more than 50% of the issued and outstanding common shares of the Company. Merger means any transaction (whether by way of consolidation, amalgamation, merger, transfer, sale or lease) whereby all or substantially all of the Company's assets would become the property of any other person, or in the case of any such consolidation, amalgamation or merger, of the continuing corporation or other entity resulting therefrom.

CCM has agreed that, without the prior consent of the TSXV, it will not exercise its conversion rights under the Debenture or exercise the warrants if following such conversion or exercise, it would beneficially own or exercise control or direction over more than 15% of the Company's then outstanding shares.

Gold Option
The Company and AGC entered into a gold option contract with CCM. AGC granted to CCM an option to purchase, at a price of $1,400 per troy ounce, an aggregate of 4,000 troy ounces of gold produced from the Atlanta Project. This option will vest after AGC has completed production from the Atlanta Project of 20,000 troy ounces of gold and will expire on the fifth anniversary following the date of vesting. The Company guaranteed the performance of AGC's obligations under the contract.

$425,000 Secured Promissory Note of AGC
On August 4, 2011, in partial payment for a 5.58 acre property located in Boise, Idaho purchased from 3N LLC, AGC issued a $425,000 three-year promissory note, bearing simple interest of 7% per annum, which is secured by a mortgage on the acquired property. AGC makes monthly interest payments of $2,480 on the promissory note.

Overview of Financial Results

Debt and Equity Financing
The Company did not complete any equity financings during the first quarter of 2012 or during the first quarter of 2011. In light of its limited cash position and working capital deficiency, shareholders, including insiders of the Company, advanced $255,000 to the Company during the first quarter of 2012, with approximately $205,000 of such amount currently anticipated to be repaid by the issuance of equity securities of the Company on the same terms as provided to arm's length investors.

Liquidity and Capital Resources

The mineral properties in which the Company currently has an interest are in the exploration stages and, consequently, the Company has no current source of operating revenue and is dependent on external financing to fund continued exploration and development of its mineral properties. Historically, the Company's principal sources of funding have been the issuance of equity securities for cash and interest income from short-term investments, and more recently, by the debt financing described under "Debt Financing".

Cash as at March 31, 2012 was $37,000 compared to $1,759,000 as at March 31, 2011. The ongoing environmental litigation against AGC and the challenging financial markets currently faced by companies in the gold sector generally, have had a significant adverse affect on the Company's share price and on its ability to raise additional funds through equity financings on a timely basis. During the quarter and continuing, the Company took a number of steps to conserve cash pending completion of additional financings. In January 2012, a member of senior management voluntarily agreed to a suspension of salary payments and certain consulting fees were reduced or eliminated. During the first quarter, the Company sold certain marketable securities for net proceeds of approximately $32,000 and completed sales of certain non-essential equipment. Subsequent to the end of the quarter, the Company issued 4,000,000 common shares in satisfaction of a finder's fee of C$200,000 incurred in connection with the issuance of the Debenture.

The Company had a working capital deficiency as at March 31, 2012 of $1,203,000 as compared to a deficiency of $805,000 as at December 31, 2011.

	As at	
	March 31, 2012	**December 31, 2011**
Cash and cash equivalents	37	210
Current assets	104	365
Current liabilities	(1,307)	(1,170)
Working capital (deficiency)	(1,203)	(805)

Working capital (deficiency) 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 IFRS 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.

The working capital deficiency is expected to be addressed in the near term by completing one or more equity and/or debt financings. Alternatively, if completion of an additional financing in the near term is delayed, the Company may consider the sale of non-core assets to assist it in meeting its ongoing capital requirements. In the longer term, the Company will require additional financing to finance its exploration and development activities and it intends to do so from future financings of equity and / or debt and / or by obtaining direct investments in the Atlanta Project by joint venture partners.

Equity

As at March 31, 2012, the Company had (a) 193,890,039 common shares issued and outstanding, (unchanged from December 31, 2011); (b) stock options outstanding to purchase 5,320,000 common shares (December 31, 2011 – 6,420,000) at exercise prices ranging from C$0.18 to C$0.63 per share and expiring between March 2013 and September 2015; and (c) Warrants to purchase 105,202,645 common shares of the Company at exercise prices ranging between C$0.11 and C$0.25 per share, expiring between April 2012 and December 2016 (unchanged from December 31, 2011). In certain instances, the expiry dates of certain of the Warrants may be accelerated by the Company. Shareholders' equity as at March 31, 2012 was $38,623,000 compared to $38,998,000 as at December 31, 2011. Stock options outstanding as at March 31, 2012 had a weighted average exercise price of C$0.38 per share (December 31, 2011 - C$0.35 per share) and a weighted average life of 25 months (December 31, 2011 – 29 months).

General and Administrative Expenses

Corporate overhead expenses for the quarter ended March 31, 2012 were $321,000 compared to $419,000 for the quarter ended March 31, 2011. The decrease in the first quarter of 2012 compared with the first quarter of 2011 was mainly due to: a) a decrease in investor relations expenses reflecting the non-renewal of certain investor relations agreements in the current quarter and also reflecting that listing fees in respect of the Company's common shares paid in the first quarter of 2011 were non-recurring; b) voluntary salary suspension by a senior manager since January 2012; c) a decrease in consulting fees; and d) a decrease in stock-based compensation, reflecting that most stock options granted prior to 2011 have vested and reflecting that no stock options have been granted since 2010. Partially offsetting these decreases was an increase in administrative and office expenses, reflecting fees paid to executive search personnel and that insurance expense was recorded on an accrual basis in the first quarter of 2012 whereas it was recorded on a cash basis in the first quarter of 2011.

Capital Expenditures

<u>Atlanta gold property, Idaho, USA:</u>

Expenditures in the first quarter of 2012 of $235,000 were primarily in respect of preparing and filing a Supplemental Plan of Operations (SPOO) with respect to the reclamation and closure of the historic 900 Adit and Pilot Water Treatment facility and the preparation of an updated resource estimate on the Company's Atlanta property in Idaho, USA.

In comparison, expenditures in the first quarter of 2011 of $515,000 were primarily in respect of reviewing the draft Technical Report and Resource Estimate and preparing for the Advanced Scoping Study on Atlanta, which involved reviewing and confirming the existing mineral resource estimate, determining preliminary designs, and estimating capital and operating costs for a shallow open pit and underground mine with different ore and waste production rates.

Contingencies and Commitments

The Company has made commitments in respect of its head office leases, long-term debt, mineral properties and other leases as follows:

	Total	Payments Due by Period Years 1 to 2	Years 3 to 4	Beyond Year 4
Head office	28	27	1	-
Long-term debt(1)(2)	4,395	520	825	3,050
Operating leases(3)	169	154	15	-
Other long-term obligations(4)(5)(6)(7)	40	20	20	-
Total Contractual Obligations	4,632	721	860	3,050

(1) See the description of the Debenture under "Debt Financing".
(2) See the description of the $425,000 Secured Promissory Note under "Debt Financing".
(3) Operating leases include payments made pursuant to a lease agreement dated July 20, 2004 with Greene Tree, Incorporated, whereby AGC leased a 20.55 acre property and associated water rights in the Atlanta area. The agreement requires lease payments of US$4,887.50 per month until June 30, 2014. If during the term of the agreement, Greene Tree decides to sell the property and associated water rights, Greene Tree shall give notice of such sale to AGC and AGC will have the exclusive right of refusal to purchase the property and water rights on terms no less favourable than those offered by Greene Tree for 60 days after receipt of such notice.
(4) See "Ownership of Atlanta Properties: F.C. Gardner".
(5) See "Ownership of Atlanta Properties: Hollenbeck Properties LLC"
(6) 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. The final $10,000 monthly installment was paid in January 2011. CAMC retains a 1% net smelter royalty. See also "Ownership of Atlanta Properties".
(7) Monarch retains a variable net smelter return royalty, varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding US$665 per ounce, on the 430-acre property purchased by AGC from Monarch in June 2011. As at March 31, 2012, advance royalty payments of US$1,500,000 had been made by AGC and will be deducted from future royalty payments to Monarch.

Details and a discussion of the environmental litigation are included in the "Environmental Matters" section above and in Note 13 Commitments and Contingencies to the Company's audited consolidated financial statements for the year ended December 31, 2011.

Summary of Quarterly Results

The following table discloses certain financial data for the eight most recently completed quarters, expressed in thousands of U.S. dollars (except basic per share data).

Quarter ended	Total Revenues *(4)*	General and Administrative Expenses	Net Loss (Gain) (3)	Basic and Fully Diluted Loss (Gain) Per Share
March 31, 2012		321	385*(1)(2)*	0.00
December 31, 2011	-	580	714*(1)(2)*	0.00
September 30, 2011	-	347	348*(1)(2)*	0.00
June 30, 2011	-	446	450*(1)(2)*	0.00
March 31, 2011	-	419	418*(1)(2)*	0.00
December 31, 2010	-	410	564*(1)(2)*	0.00
September 30, 2010	-	392	394*(1)(2)*	0.00
June 30, 2010	-	362	364*(1)(2)*	0.00

1. *Includes: Mineral property costs expensed as follows: Nil during the first quarter of 2012; $50,000 during the fourth quarter of 2011; $1,000 recovered during the third quarter of 2011; $1,000 during the second quarter of 2011; $5,000 during the first quarter of 2011; $1,000 during the fourth quarter of 2010; $2,000 during the third quarter of 2010, and $1,000 during the second quarter of 2010.*
2. *Includes stock based compensation expense charged as follows: $6,000 during the first quarter of 2012; $6,000 during the fourth quarter of 2011; $6,000 during the third quarter of 2011; $19,000 during the second quarter of 2011; $27,000 during the first quarter of 2011, $69,000 during the fourth quarter of 2010, $126,000 during the third quarter of 2010; and $56,000 during the second quarter of 2010.*
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 not in production, it does not generate any revenue.*

The Company presently operates in two countries, Canada and the United States. The Company has an interest in three mineral properties. Two are gold properties and one is a diamond property**.** 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. The level of the Company's development activities at Atlanta is impacted by winter weather conditions, resulting in lower overall levels of activity on the Company's properties during that season. To date, the Company has conducted exploration on a seasonal (May / June to October / November) basis. However, as Atlanta advances toward the production stage and permanent camp and other facilities are constructed, the impact of adverse weather conditions is expected to be reduced and 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 its projects other than Atlanta. The Company has determined that no charges had to be taken against Atlanta in 2011.

Outlook

Atlanta Gold Property

Over the past several 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 over the long term. Major gold mining companies are having difficulty maintaining / replacing their resources / reserves. This is expected not only to place upward pressure on the gold price, but also on the value of existing resources not currently in production.

Fundamentals for silver also remain very strong which adds to the Company's value given the quantity of silver together with the gold mineralization at Atlanta.

As the Company continues to make progress building its resource base (at a low discovery cost per ounce), and the associated environmental and economic framework at Atlanta, it expects that industry interest in this project will continue to develop. The Company invested in equipment, infrastructure and property, and progress has been made in reducing royalties, all of which serve to advance the property and reduce future capital and operating costs and demonstrate the confidence that management has in Atlanta. The worldwide economic downturn has significantly increased the availability of new and used equipment and skilled personnel.

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 Company is focusing on environmental permitting, economic analysis, engineering and development. It intends to complete and test a bulk sample from expanded trenches in 2012 and is investigating the feasibility of initiating pilot scale gold processing in advance of commercial gold production.

The Company has limited financial resources and no source of operating revenue. In the past, it has relied on debt / equity financings to maintain its exploration, environmental permitting, and engineering and development activities and meet its administrative costs. The Company continues to seek capital through various means including the possible joint venturing of a direct interest in Atlanta and by the issuance of equity and / or debt. However, the ongoing environmental legal action filed against AGC by two environmental interest groups has adversely affected the Company's ability to finance its activities and operations. This uncertainty is expected to prevail until the Court decision in the penalty phase of the hearing is issued or a settlement is reached with the environmental groups. If the Court awards significant damages or grants an injunction against AGC restraining its activities at Atlanta, this will have a material adverse impact on AGC, the Company's financial condition and its ability to continue as a going concern. If the Company experiences significant delays in obtaining additional funding necessary to fund its ongoing operating and capital requirements, this may have a material adverse impact on the Company's financial condition, business and plan of operations.

AGC continues to rely on the commitment and expertise of its management team, its professional advisors, employees and contractors to ensure compliance with current laws and foster a climate of open communication and co-operation with the various state and federal environmental agencies.

The Atlanta Project is a significant asset with near-term production potential. It has a growing Indicated and Inferred 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.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

Remuneration of key management personnel during the three months ended March 31, 2012 was $120,000 (March 31, 2011 - $169,000).

Share Capital

As at May 23, 2012, the Company has 197,890,039 common shares outstanding, incentive stock options outstanding to purchase 5,320,000 common shares at prices ranging from $0.18 to $0.63 per share for terms ending between March 2013 and September 2015, and warrants outstanding to purchase 90,286,545 common shares at prices ranging from $0.11 to $0.25 per share, expiring between July 2012 and December 2016.

Changes in Accounting Policies including Initial Adoption of International Financial Reporting Standards

Effective January 1, 2011, Canadian publicly listed entities were required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"). Due to the requirements to present comparative financial information, the effective transition date is January 1, 2010. The Company's first reporting period under IFRS was the three months ended March 31, 2011.

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, whether through profitable operations or from proceeds of disposition of assets. 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 Atlanta or any of the Company's other properties will ultimately be developed into a profitable mining operation. As a result, the securities of the Company must be considered speculative and readers should carefully consider the following factors:

Exploration and Development

Exploration for gold and other minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. There can be no assurance that exploration efforts will result in the discovery of additional mineralization. Existing mineral resource estimates for Atlanta included herein are estimates only, and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that identified mineral resources will ultimately qualify as a commercially viable deposit that can be legally and economically exploited. In addition, the grade of mineralization which may ultimately be mined may differ from that indicated by drilling results and resource estimates and such differences could be material.

Development projects rely on the accuracy of predicted factors, including capital and operating costs, metallurgical recoveries, mineral resource and reserve estimates and, in the case of Atlanta, future prices for gold and to a lesser extent, silver. Development projects are also subject to accurate pre-feasibility or feasibility studies, the acquisition of water and land rights, including land required for necessary infrastructure relating to the development project and the issuance of necessary governmental permits. Due to the number of years and substantial expenditures required from the time of initial drilling to production, the economic feasibility of production and level of profitability may change due to changes in mineral prices, commodity prices, labour and equipment costs and/or other factors which may result in material cost overruns versus budgeted amounts.

Financing Risk

The Company has limited financial resources and no operating cash flow. Until profitable production can be reached, the Company is dependent on debt or equity financings and / or the sale, farm-out or lease of assets to provide the funds necessary for the Company's operating and capital expenditures. Although the Company has been successful in the past in obtaining requisite funding, there can be no assurance that additional funding in amounts and on terms satisfactory to the Company will be available on a timely basis to fund the further exploration and development of Atlanta or to fulfill its obligations under applicable agreements. Failure to obtain such funding has resulted in delay and could in the future result in the delay or indefinite postponement of further exploration and development of the Company's properties and in the possible dilution or loss of interests in such properties. If the Company raises additional funding through the issue of equity securities, such financings may dilute the holdings of the Company's existing shareholders.

Litigation Risk
The mining industry is frequently subject to legal claims, particularly with respect to environmental matters. The Company's subsidiary, AGC, is currently subject to legal action brought by environmental groups which, in January 2012, resulted in a decision by the U.S. District Court for the State of Idaho that the subsidiary was not in compliance with the water discharge limits in its permit issued under the Clean Water Act. The penalty phase of this Court action is pending and although AGC did not cause the water discharge, the Court could impose potentially significant penalties and costs against AGC. Depending on the nature and extent of the penalty imposed by the Court, such imposition could have a material adverse effect on the Company's business and financial condition.

Environmental Factors
The mining industry is subject to environmental regulation by federal, state and local authorities. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased penalties for non-compliance and more stringent environmental assessments of proposed projects. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or result in significant costs and liabilities in the future.

Governmental Regulation and Permits
Exploration and development activities and mining operations are subject to extensive federal, state and local laws and regulations governing exploration, development, production, occupational health and safety, waste disposal, protection and remediation of the environment, reclamation, taxes and other matters. Compliance with such laws and regulations necessarily imposes costs and may result in delays in planning, designing, developing, constructing, operating, and closing mines and other facilities. There can be no assurance that future changes in such laws and regulations, if any, will not adversely affect the Company's operations. The Company's operations require licenses and permits from various governmental authorities. Obtaining these licenses and permits is a complex and time-consuming process involving numerous jurisdictions and regulatory authorities. While the Company has been successful in the past in obtaining the requisite permits and licenses, there can be no assurance that the Company will be able to obtain all necessary permits that may be required to carry out exploration, development and mining operations.

Fluctuations in Gold Prices
The commercial viability of Atlanta is significantly impacted by revenues to be obtained from the mining and sale of gold. The price of gold has fluctuated widely in recent years and is affected by numerous factors beyond the Company's control, including international economic and political conditions, expectations of inflation, currency exchange rates, interest rates, speculative activities, and levels of demand and supply, including due to increased production and gold inventory levels maintained by governments, producers and others. The effect of these factors on the price of gold and therefore the economic viability of Atlanta cannot be accurately predicted.

Dependence on Key Personnel
The Company is highly dependent on the principal members of its senior management group and the loss of one or more of their services could have an adverse effect on the Company's operations and future development and growth.

Secured Convertible Debenture
The Company's C$3 million principal amount Debenture is guaranteed by AGC and is secured by a mortgage on AGC's Monarch Property. Should the Company fail to comply with its obligations under the Debenture, the lender could seek to enforce its mortgage security which could result in AGC losing its interest in the Monarch Property, which comprises a substantial portion of Atlanta. If the lender elects to convert all or a portion of the Debenture into common shares of the Company or if the lender elects to exercise any of the warrants received by it in connection with the issuance of the Debenture, the holdings of the Company's existing shareholders may be diluted.

Share Price Fluctuations
The securities markets in Canada and elsewhere generally, and the Company's shares specifically, have in recent years experienced a high level of price volatility. The market prices of securities of many companies, including those like the Company, considered to be development-stage companies, have experienced wide fluctuations in price which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurances that continuing fluctuations in the Company's share price will not occur.

Additional Information
Additional information relating to the Company is available on SEDAR at www.sedar.com.

May 23, 2012