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 six months ended June 30, 2011 and 2010 has been prepared as of August 25, 2011.

The discussion below should be read in conjunction with the unaudited interim consolidated financial statements of the Company and the notes thereto for the six months ended June 30, 2011 and 2010 and the audited consolidated financial statements of the Company for the year ended December 31, 2010. 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 set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). The Company's financial statements from incorporation to December 31, 2010 were prepared in accordance with Canadian generally accepted accounting principles ("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 interpretation of results received to date from the Company's exploration program and 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 completion of advanced scoping and pre-feasibility studies on the Atlanta project, the respective timing and parameters thereof, including in respect of production levels and life-of-mine estimates; the completion of and use of proceeds from future financings and the adequacy thereof to complete the Company's objectives for the balance of 2011; the continuance and enhancement of environmental initiatives and the effectiveness thereof; the outcome of the environmental litigation undertaken against the Company's subsidiary; the continuance of developmental initiatives including securing requisite permits; the completion of the issuance of the convertible debenture of the Company and receipt of requisite approvals in respect thereof; the completion of the acquisition of additional properties and the construction of infrastructure thereon; 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 resource; the 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, including the risk of an adverse outcome to the complaint against the Company's subsidiary under the Clean Water Act, 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 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, an outcome favourable to the Company 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 currently trade on the TSX Venture Exchange (TSX.V: ATG) and effective, March 2, 2011, also trade on the OTCQX (OTCQX: ATLDF).

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 open-pit and underground operation with an on-site mineral processing facility. This new mining strategy will produce both a gravity concentrate and a precious metal rich sulphide concentrate to be custom smelted. It will significantly reduce the environmental risk and increase expected metal recovery rates from 63% to 83% for gold and 88% for silver. 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 open pit and underground mine at Atlanta in a timely manner.

In July 2011 P&E Mining Consultants Inc. ("P&E") of Brampton, Ontario completed a re-evaluation of the mineral resource estimate at the Company's Atlanta Gold Project in Idaho, USA, previously announced on January 6, 2011. Using the same assay database, P&E estimates an Indicated mineral resource of 686,600 gold ounces within 6.83 million tons at an average grade of 0.101 ounces per ton ("opt") (3.45 grams per tonne) ("gpt") Au and an Inferred mineral resource of 282,400 ounces contained within 1.79 million tons at an average grade of 0.158 opt (5.42 gpt) Au. Using a gold to silver price ratio of 55.6:1, the new Indicated mineral resource is 719,000 gold equivalent ("AuEq") ounces within 6.83 million tons at an average grade of 0.106 opt (3.63 gpt) AuEq and the Inferred mineral resource is 290,000 AuEq ounces within 1.79 million tons at an average grade of 0.163 opt (5.59 gpt) AuEq. A National Instrument 43-101 compliant Technical Report will be available on SEDAR and the Company's website by September 6, 2011.

Details of the P&E resource estimate as at June 30, 2011 are provided in the following table:

		GOLD				SILVER				
			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)**	**TOTAL EQUIVALENT OUNCES OF GOLD (000's)**
OPEN -PIT:										
Indicated	**6,732**	**0.041**	**0.099**	**3.39**	**665.5**	**0.263**	**9.02**	**1,769.2**	**31.8**	**697.3**
Inferred	**850**	**0.041**	**0.093**	**3.19**	**79.4**	**0.200**	**6.86**	**170.2**	**3.1**	**82.5**
UNDERGROUND:										
Indicated	**95**	**0.113**	**0.222**	**7.61**	**21.1**	**0.319**	**10.92**	**30.3**	**0.6**	**21.7**
Inferred	**938**	**0.113**	**0.216**	**7.42**	**203.0**	**0.272**	**9.33**	**255.2**	**4.6**	**207.6**
TOTAL:										
Indicated	**6,828**		**0.101**	**3.45**	**686.6**	**0.264**	**9.04**	**1,799.5**	**32.4**	**719.0**
Inferred	**1,788**		**0.158**	**5.42**	**282.4**	**0.238**	**8.16**	**425.4**	**7.7**	**290.1**

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, socio-political, 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 press 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. AuEq was calculated such that one ounce of Au = 55.6 ounces Ag. Metal prices used were the June 30, 2011 two year trailing average for Au at US$1,231/oz and Ag at US$22.48/oz with respective mill recoveries of 83% for gold and 88% for silver. Prevailing metal prices at June 30, 2011 were US$1,506 per ounce of gold and US$35.02 for silver.
5. The mined tonnage from historic operations which was mined at cut-off grades above 0.4 and 0.5 opt (13.7 and 17.1 gpt) was removed from the block model.
6. Gold cut-off grades of 0.041 opt (1.41 gpt) for open pit and 0.113 opt (2.25 gpt) for underground resources were established from metal prices, expected recoveries, and estimated operating costs.

For comparative purposes, details of the P&E resource estimate as at December 31, 2010 are provided in the following table:

		GOLD				SILVER				
			Grade			Grade				
Area	**Tons (000's)**	**Cut-Off Grade (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)**	**TOTAL EQUIVALENT OUNCES OF GOLD (000's)**
OPEN -PIT:										
Indicated	**2,331**	**0.04**	**0.130**	**4.46**	**303.0**	**0.389**	**13.34**	**906.8**	**11.7**	**314.7**
Inferred	**58**	**0.04**	**0.123**	**4.22**	**7.1**	**0.235**	**8.06**	**13.6**	**0.2**	**7.3**
UNDERGROUND:										
Indicated	**934**	**0.09**	**0.158**	**5.42**	**147.6**	**0.311**	**10.66**	**290.5**	**3.7**	**151.3**
Inferred	**1,500**	**0.09**	**0.185**	**6.34**	**277.5**	**0.267**	**9.15**	**400.5**	**5.2**	**282.7**
TOTAL:										
Indicated	**3,265**		**0.138**	**4.73**	**450.6**	**0.367**	**12.58**	**1,197.3**	**15.4**	**466.0**
Inferred	**1,558**		**0.183**	**6.27**	**284.6**	**0.265**	**9.09**	**414.1**	**5.4**	**290.0**

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, socio-political, 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 press 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. AuEq was calculated such that one ounce of Au = 77.6 ounces Ag. Metal prices used were the November 30, 2010 two year trailing average for Au at US$1,075/oz and Ag at US$16.61/oz with process recoveries of 90% for gold and 75% for silver.
5. The mined tonnage from historic operations was removed from the block model.

The previous P&E resource estimate was restricted to mineralization occurring solely on patented claims. The increase over the previous mineral resource estimate is primarily attributable to expansion of the conceptual open pit shell onto unpatented lands and to a lesser extent due to increases in trailing average metal prices, offset somewhat by increases in estimated operating costs. The conceptual open pit shell will now be within the boundaries of both patented and unpatented claims.

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.

The Company's exploration programs have focused exclusively on the Atlanta Shear Zone which has a surface expression that is 11,400 feet (3,475 metres) long, 30 to 120 feet (9 to 37 metres) wide and extends from surface to a known vertical depth of 2,000 feet (610 metres) with numerous splays branching off to the northwest and southeast of the main Shear. The Shear Zone remains open to the west and down dip. The Company is also investigating the surrounding mineralized structures, including the Tahoma structure, a northwest-southeast trending structure which was host to historic mining activity. The nearest interpreted extension of the Tahoma vein is approximately 1,000 feet (305 metres) northwest of the main Atlanta Shear and it is projected to intersect the main Shear. An aggressive exploration program has therefore been initiated.

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) strike length, a 30 to 120 foot (9 to 37 metre) width, a known vertical depth of 2,000 feet (610 metres), open along strike and at depth and numerous veins and splays branching off to the northwest and southeast of the main Shear and the surrounding mineralized structures present an outstanding value proposition.

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.

Plan for Operations – 2011 and 2012:

Exploration work to date has demonstrated the presence of a significant gold mineralized system. Every one of the intermediate depth drill holes (to a vertical depth of 1,000 to 2,000 feet (305 to 610 metres) below the surface has intercepted epithermal style mineralization across attractive widths.

Drilling also has confirmed the presence of a second gold-bearing structure parallel to the main shear. Intermediate depth drilling of the Newmont and Glaspey zones to date confirms that the main shear continues at depth with alteration and gold mineralization within, between and below these respective zones. Both zones warrant further drilling and the 1,300 foot (396 metre) section between the easternmost hole in the Newmont zone (below the Monarch area) and the westernmost hole in the Glaspey zone (below the East Extension area) is very sparsely drilled. Results from Atlanta's recent drilling east of the Newmont zone and west of the Glaspey zone also support the hypothesis that the shear zone splits and increases in width with alteration that continues between the two zones. With the presence of alteration characteristically associated with gold mineralization elsewhere in the Atlanta deposit, management is optimistic that future drilling will continue to intersect gold mineralization. An aggressive exploration program is therefore underway in 2011.

The Company's exploration objective is to establish continuity of the Atlanta Shear Zone at vertical depths below 2,000 feet (610 metres) while increasing the gold mineral resource at Atlanta by:

a. drilling two deep holes to vertical depths of between 3,500 and 4,200 feet (1,068 and 1,281 metres) respectively to test continuity of the Atlanta Shear Zone at depth;

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

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

d. proving confidence in the continuity between these higher-grade zones.

Based on compilation and geological interpretation of the 2010 drilling and trenching data and subject to receipt of required drilling and other permits and completion of additional short-term funding of up to C$6 million, the 2011 exploration program includes up to 60,000 feet (18,300 metres) of drilling. The program commenced in June 2011, with the mobilization of three drills.

Targets for this phase of drilling are the three principal gold zones within the Monarch, Idaho and East Extension areas. The objectives of the Company's 2011 program are to upgrade the confidence category of resources defined during previous drill campaigns, increase the known resource and further refine the geological model. Subject to the availability of financing, the Company expects to extend the mineralized systems, continue in-fill and definition drilling in preparation for an updated Block Model by the fall and an updated NI 43-101 resource estimate by Q1 OF 2012.

Most of the 2011 drill hole collars will be on private land and, based on past experience, the Company anticipates that the U.S. Forest Service ("USFS") will approve the remaining proposed 2011 drill hole collars to be located on USFS land.

The Company plans to complete a total of 84,350 feet (25,710 metres) of diamond drilling with 94 drill holes plus additional infill and exploration drilling in 2011 and 2012 in order to:

- define extensions to the higher grade drill intercepts in the Newmont and Glaspey zones by completing 50,390 feet (15,359 metres) of core drilling to an intermediate depth of 2,000 feet (610 metres) on the East Extension, Monarch and Idaho areas. The 1,300 foot (396 metre) distance between these highly prospective zones is underexplored as previous programs focused on shallower, potentially open-pitable mineralization. The deeper holes are targeting an increase in the underground resource which is currently 21,700 AuEq ounces Indicated and 207,600 AuEq ounces Inferred;

- increase the near-surface open-pit resource - currently 697,300 AuEq ounces Indicated and 82,500 AuEq ounces Inferred by completing 25,360 feet (7,730 metres) of shallow infill core drilling to a depth of 1,000 feet (305 metres) in the East Extension, West Monarch and Idaho zones. It is anticipated that the open-pit resource could be mined at a relatively low cost for the first 19 years of mining assuming an annual production rate of 40,000 AuEq ounces;

- further evaluate the near surface potential of the Tahoma Shear Zone by surveying, sampling and assaying 1,000 feet (305 metres) of trenches along strike of the northwest trending Tahoma, logging, sampling and assaying 14 drill holes, and sampling and assaying approximately 300 soil samples.(The 2009 and 2010 trenching programs exposed and identified significant gold-bearing mineralization in 95% of the returned samples); and

- continue to evaluate the economic potential of recovering by-products from the Atlanta Shear Zone.

Environmental and development-related initiatives for 2011 include:

- continuing collaboration with local communities, environmental, regulatory and other stakeholders;

- securing economic, environmental and technical studies and water rights and permits required to advance the project to production;

- evaluating and acquiring alternative sites to accommodate infrastructure related to the Atlanta project; and

- erect buildings providing approximately 30,000 square feet of maintenance, warehouse and office space on the site referred to in the "Purchase of a 5.58-Acre Property in Boise, Idaho" section below.

The 2011 exploration program, as well as the Company's other initatives for 2011, will require that the Company successfully complete additional financings during the remainder of 2011 of approximately C$6.0 million, which will supplement existing cash on hand. The timing and the extent of drilling, exploration and other planned activities for 2011 are dependent upon the availability of additional funding on a timely basis.

The current increased mineral resource together with drill results from the aggressive exploration program currently underway will boost the production profile and is expected to add considerably to the scope of the planned Preliminary Economic Assessment. Management has decided to include the results from the Company's 2011 exploration program in the Preliminary Economic Assessment, which will delay its completion until early 2012. The Preliminary Economic Assessment ("PEA") will inlcude preliminary mine and plant design, capital and operating cost estimates, metallurgy, and address environmental and permitting issues.The additional time needed to complete the PEA will also result in a delay in preparing a Pre-Feasibility Study on Atlanta (the "Study"), which is now expected to be completed in Q1 of 2013. The Study will be based on a pilot-scale mining operation which assumes that the Company will mine only the resource identified in the next Technical Report and Updated Resource Estimate, which is expected to be completed in Q1 of 2012; following completion of the Company's 2011 exploration program. The Study will be based on a combined open pit (three open pits) and underground mining operation conceptually expected to mine between 270,000 and 400,000 tons per year, and envisions production and sale of smelter-grade gold/silver concentrate to a smelter in Nevada. In conjunction with the Study, the Company is developing a business plan which contemplates initial annual production conceptually estimated to be 40,000 ounces of gold through the use of an 800 to 1,200 ton per day dual circuit gravity-flotation milling operation. The Study will be 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 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 to apply current economics to a combined open pit and underground mine operation at Atlanta.

Based on a minimum conceptual production rate of 800 tons per day or 270,000 tons per year, average annual production over the 25-year mine life would be approximately 40,000 AuEq ounces contained in approximately 11,000 tons of concentrate. Management estimates that up to 20% of the gold will be recovered from the gravity table concentrate. Subject to receipt of a positive Study, timely receipt of adequate funding and timely receipt of requisite permits, the Company anticipates the commencement of mining at Atlanta in late 2013 and production of concentrate in 2014. If the Company experiences significant delays in obtaining sufficient funding or the requisite permits, the Company's timeline for commencement of mining operations and production will be adversely affected.

Environmental Matters

The Company has continued to act in the best interests of the surrounding communities and the environment by continuing to improve the health of the Boise River through treating 2 to 2.5 million gallons of discharge water per month (46 to 58 gallons per minute) through the pilot water treatment facility constructed and operated by Atlanta Gold Corporation ("AGC") near the portal of the 900 adit of the historic Atlanta mine.

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 compliance with the United States Clean Water Act.

On April 18, 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 United States Federal Water Pollution Control Act ("Clean Water Act") and seeking declaratory and injunctive relief as well as civil penalties.

The complaint alleges that AGC is in violation of the effluent limits contained in its National Pollutant Discharge Elimination System permit ("NPDES permit") with respect to waters discharged into Montezuma Creek from property owned by the Bureau of Land Management and administered by the United States Forest Service ("USFS"), from the historic 900 adit portal located at the Atlanta Mine, near Atlanta, Idaho.

ICL previously sued AGC in 2005, alleging that AGC was discharging water into Montezuma Creek without a NPDES permit. Without admitting any liability, AGC and ICL entered into a Consent Decree, wherein AGC agreed to apply for a NPDES permit and to construct a pilot water treatment facility. AGC has continued to use best management practices in operating the pilot water treatment facility ("PWTF#1") in what it believed to be in cooperation with ICL and compliant with all terms of the Consent Decree.

Groundwater drains from the historic 900 adit, which was originally driven by companies that previously were in production at the historic mine site, into Montezuma Creek through the pilot water treatment facility constructed by AGC in 2006 as directed by the Consent Decree with ICL. AGC does not own the land on which the historic adit is located, nor does it have any use or right to use the groundwater that is discharged from the historic adit. Notwithstanding that AGC's activities on the property have not caused the groundwater discharge, since 2006, AGC has been treating approximately 2.5 million gallons of groundwater per month utilizing the pilot water treatment facility. That pilot water treatment facility was designed and constructed to meet or exceed applicable effluent standards that were in effect at the time of its installation. The naturally occurring historical levels of arsenic and iron are higher than the corresponding effluent levels contained in the NPDES permit, which are based on drinking water quality criteria.

As part of AGC's continuing efforts to reduce effluent levels, AGC has proposed a draft Plan of Operations to the USFS, subject to USFS approval, for the construction of a diversion pipeline to redirect water that flows through Montezuma Fault into the historic mine workings and discharging from the historic 900 adit to the existing pilot water treatment facility. AGC also proposed improvements to and expansion of the existing pilot water treatment facility to determine final best management practices for treating arsenic contaminated water in accordance with the applicable NPDES permit. In addition, AGC is proposing closure of the historic 900 adit eliminating the water discharge and reclamation of the pilot water treatment facility area.

ICL and NEDC are not government / permitting agencies but are non-profit environmental groups. In consultation with SPF Water Engineering, LLC, AGC has cooperated and continues to cooperate and consult with the USFS, the United States Environmental Protection Agency, Idaho Department of Environmental Quality and Idaho Department of Water Resources regarding AGC's activities and environmental protection initiatives in Atlanta.

AGC has submitted complete defences to the allegations made by ICL and NEDC and will vigorously defend itself against their claims. However, there can be no assurance that AGC will be successful in its defence of this action, nor is it currently possible to determine the penalties which could be imposed by the Court should ICL and NEDC receive all relief requested by them. A decision of the Court adverse to AGC could have a material adverse effect on the business and affairs of the Company.

PURCHASE OF A 5.58-ACRE PROPERTY IN BOISE, IDAHO

In the first week of August 2011, under the terms previously announced in the Company's news release dated April 20, 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. The shares are subject to a four month statutory hold period.

This new property was acquired on favourable terms, has excellent highway and rail access and will be developed as a corporate office, warehouse, training centre, truck depot, marshalling yard, service centre and the turnaround for goods going to and from the Atlanta Mine.

Management has taken steps to prepare for production at Atlanta, as opportunities present themselves. This approach has provided significant savings on substantial purchases of buildings and equipment, including two water treatment plants, which have been completed well ahead of schedule. Advanced preparations for the construction and operational phases are drawing near as the Company continues to exceed its annual resource growth targets through exploration, and continues to make significant steps towards its goal to build and open the Atlanta Mine for gold and silver production by 2014.

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 C$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. ***Monarch Greenback LLC***

   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 "Property") from Monarch Greenback LLC ("Monarch") for $3,075,000. The purchase was completed on June 8, 2011. AGC's interest in the Property had been held pursuant to a Lease and Option to Purchase Agreement entered into with Monarch in 1999, as subsequently amended. Pursuant to the terms of the Lease Option Agreement, the lease and option to purchase the Property would have terminated unless notice of exercise by AGC was provided by April 30, 2011. Upon AGC exercising its option to purchase, rental payments to Monarch totalling $290,000 per annum on the 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 June 30, 2011, advance royalty payments of US$1,500,000 had been paid by AGC to Monarch and will be deducted from future royalty payments to Monarch.

   To assist in the financing of the purchase, the Company borrowed $3 million by way of a secured, non-interest bearing bridge loan (the "Loan") which will be repaid by the proceeds from and replaced by a 5-year 6% secured convertible redeemable debenture (the "Debenture") for C$3 million, to be issued by the Company to the lender. Terms of the Loan and the Debenture are described below under "Debt Financing".

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 December 31, 2010, advance royalty payments of US$168,500 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 December 31, 2010, advance royalty payments of $282,500 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 June 30, 2011, advance royalty payments total $2,164,500 and these will be deducted from any future royalty payments to lessors / royalty holders. Lease payments made in the second quarter of 2011 and advance royalty payments as at June 30, 2011 are summarized in the table below.

Lessor / Royalty Holder	Property	Payments in Q2 of 2011 $	Advance Royalty Payments as at June 30, 2011 $
Monarch Greenback, LLC(1)	Monarch Greenback	20,000	1,500,000
Born, John and Rhees(2)	Hill & Davis	-	203,500
Frank C. Gardner (3)	Gardner	10,000	178,500
Hollenbeck Properties LLC (4)	Minerva	-	282,500
TOTAL		30,000	2,164,500

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 due November 15th on the Hollenbeck claims currently runs to 2012 and renewable thereafter) – credited towards royalty payments.

DEBT FINANCING

In order to complete the purchase of the Property from Monarch, the Company entered into an agreement dated May 31, 2011 (the "Loan Agreement") with Concept Capital Management Ltd. ("CCM") pursuant to which CCM provided the Company with the Loan in the principal amount of $3,000,000. The Loan is non-interest bearing and is secured by a limited recourse guarantee of AGC and by a mortgage on the Property. Under the terms of the Loan Agreement, the Loan is to be repaid and replaced by the issuance of the Debenture and by the issuance of detachable warrants to purchase 30,000,000 common shares of the Company (the "Warrants"). The Company is in the process of settling definitive documentation with CCM in respect of the Debenture and the Warrants, having substantially the terms as described below under "*Terms of the Debenture and Warrants*", and in respect of the Gold Option (described below under "*Gold Option*").

Terms of the Debenture and Warrants

The Debenture will have a term of five years plus one day, bear interest of 6% per annum, and be convertible into common shares of the Company at a conversion price of C$0.10 per share (the "Conversion Price"). Interest on the Debenture will be payable annually 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 will be secured on the same basis as the Loan, and will be subordinated in right of payment of principal and interest to all senior secured debt of the Company. CCM will have a right of first refusal on any additional convertible debentures to be issued by the Company within 18 months of the issue date of the Debenture.

After the second anniversary of the issue date of the Debenture, the Company will have the right to redeem all or part of the Debenture if the volume weighted average price of the Company's common shares on the TSXV for 30 consecutive trading days prior to the date that notice of redemption is provided exceeds 500 percent of the Conversion Price (that is, based on the initial Conversion Price, the volume weighted average price exceeds C$0.50). 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 4% if redeemed prior to the third anniversary of the issue date or 2% if redeemed prior to the fourth anniversary of the issue date. The Company must provide at least 30 days prior notice of redemption and CCM may elect to convert the Debenture into common shares prior to the redemption being effected.

The holder of the Debenture will have the right to require the Company to redeem the Debenture at any time after the third anniversary of the issue date and at any time following a change of control, merger, consolidation, other fundamental transaction or liquidation of the Company or any of its significant subsidiaries.

Warrants to purchase up to 30,000,000 common shares of the Company will be issued concurrently with the Debenture. The Warrants, which will be immediately detachable from and exercisable independently from the Debenture, will have a term of five years and an exercise price of $0.11 per share. On May 31, 2011, the date that the Loan Agreement was entered into, the closing price of the Company's common shares on the TSXV was $0.10.

Property Option

As additional consideration to CCM for providing the Loan to the Company, AGC has provided CCM with an option to purchase the Property for $3 million (the "Property Option"). The Property Option will only become exercisable if the Loan is repaid other than by the issuance of the Debenture or if the Loan remains outstanding as of January 31, 2012. The Property Option terminates upon the earlier of (i) the issuance of the Debenture and the Warrants and (ii) 90 days following repayment of the Loan other than by means of issuing the Debenture and the Warrants.

Gold Option

CCM will also receive an option to purchase an aggregate of 4,000 ounces of gold produced from the Atlanta Project at a price of US$1,400 per ounce. This option will vest after Atlanta has completed production of 20,000 ounces of gold (the "Vesting Date") and will expire on the fifth anniversary of the Vesting Date.

Regulatory Matters
Issuance of the Debenture and the Warrants is subject to the approval of the TSXV. The policies of the TSXV require that the approval of shareholders be obtained if the issuance of securities (including securities issuable on the conversion of a convertible security or on the exercise of warrants) will result in the creation of a new "Control Person" in respect of a listed company. Control Person is defined to mean any person or entity that holds or is one of a combination of persons that holds a sufficient number of securities of a listed company so as to affect materially the control of the listed company or that holds more than 20% of the outstanding voting shares of the listed company. If CCM elected to fully convert the Debenture and to exercise all of the Warrants, it would be entitled to receive 60,000,000 common shares of the Company and it would then own (in the absence of any other changes to the Company's issued capital) approximately 25% of the Company's then issued and outstanding common shares. If the Company elects to satisfy any interest payments due under the Debenture by the issuance of common shares, CCM's ownership interest in the Company could be further increased.

Accordingly, in accordance with the requirements of the TSXV, the issuance of the Debenture and the Warrants to CCM requires the approval of a majority of the votes cast in respect thereof, whether in person or by proxy, at a meeting of shareholders of the Company. The Company anticipates holding a special meeting of shareholders during Q4 to seek approval of the issuance of the Debenture and the Warrants.

If the approval of the Company's shareholders to the transaction is not obtained, the Debenture and Warrants will not be issued and the Loan will continue to be outstanding. Failure to issue the Debenture by a date to be determined may constitute an event of default under the Loan, whereupon the Loan will become immediately due and payable and CCM may then elect to enforce its mortgage security against the Property. In addition, if the Loan is repaid other than by the issuance of the Debenture and the Warrants, or if the Loan remains unpaid at January 31, 2012, the Property Option will become exercisable by CCM. Should CCM elect to enforce its mortgage security, AGC may cease to hold an interest in the Property. Should CCM elect to exercise the Property Option and subsequently complete the purchase the Property, AGC will cease to hold an interest in the Property. There can be no assurance that AGC will be able to re-acquire any interest in the Property on satisfactory terms or at all and such an outcome would have a material adverse effect on the business and affairs of the Company.

Overview of Financial Results

Debt and Equity Financing
The Company did not complete any equity financing during the second quarter of 2011, although it secured gross proceeds of $3.0 million in June 2011 after completing the Loan, which is secured by a limited-recourse guarantee of AGC and by a mortgage of AGC's interest in the Property. The Loan is intended to be replaced by the Debenture, having the terms described under "Debt Financing". Closing of the Debenture financing is expected to occur during the fourth quarter, subject to regulatory and shareholder approval as required.

During the third quarter of 2011, the Company raised gross proceeds of C$2,500,000 by means of a non-brokered private placement of 35,714,276 Units at a price of C$0.07 per Unit. Each Unit consists of one common share and one common share purchase warrant, exercisable at C$0.11 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 on the TSXV exceeds C$0.20 for 20 consecutive trading days.

In comparison, the Company raised gross proceeds of approximately C$2,387,000 in April 2010 by completing a non-brokered private placement of 14,916,100 common share units (“Units”) at C$0.16 per Unit. Each Unit consisted of one common share of the Company and one common share purchase warrant, exercisable at C$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 on the TSXV exceeds C$0.50 for twenty consecutive trading days.

Liquidity and Capital Resources

Cash as at June 30, 2011 was $590,000 compared to $2,780,000 as at December 31, 2010 and $1,279,000 as at June 30, 2010. The decrease for the six months ended June 30, 2011, and for the comparative period ended June 30, 2010, is reflective of the Company having completed financings during the second quarter of 2010, while mineral property expenditures of $3,954,000 (2010 - $1,652,000) and fixed asset purchases of $246,000 (2010 - $152,000) were incurred during the first two quarters of 2011. During the third quarter of 2011, the Company raised gross proceeds of C$2,500,000 by means of a non-brokered private placement.

Working capital deficiency as at June 30, 2011 was $2,361,000 compared to a surplus of $2,662,000 as at December 31, 2010. Cash used in operations for the first six months of 2011 was $990,000 compared to $542,000 for the comparative period ended June 30, 2010, reflecting the increase in head office activities and repayment of accounts payable.

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 of its mineral exploration 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”. The Company intends to finance its exploration and development activities through existing cash balances and future financing or joint venture activities.

Equity

As at June 30, 2011, the Company had (a) 144,858,934 common shares issued and outstanding, (unchanged from December 31, 2010); (b) stock options outstanding to purchase 6,663,333 common shares (December 31, 2010 – 6,686,667) at exercise prices ranging from C$0.18 to C$1.65 per share and expiring between September 2011 and September 2015; and (c) Warrants to purchase 34,459,400 common shares of the Company at an exercise price of C$0.25 per share, expiring between August 2011 and September 2012. In certain instances, the expiry dates of the Warrants may be accelerated by the Company. Shareholders’ equity as at June 30, 2011 was $36,129,020 compared to $36,932,433 as at December 31, 2010. Stock options outstanding as at June 30, 2011 had a weighted average exercise price of C$0.36 per share (December 31, 2010 - C$0.36 per share) and a weighted average life of 36 months (December 31, 2010 – 41 months).

General and Administrative Expenses

Corporate overhead expenses were $865,000 for the six months ended June 30, 2011 compared to $670,000 for the same period ended June 30, 2010. The increase in the second quarter of 2011 as compared to the same period in 2010 was mainly due to: a) reinstating original salaries to senior staff who had voluntarily agreed to salary reductions during previous years; b) an increase in professional fees incurred in respect of the conversion to IFRS and in connection with securing equity and debt financings; and c) an increase in investor relation fees, primarily in respect of listing the Company’s shares on the OTCQX effective March 2011. Partially offsetting these increases, was a decrease in stock-based compensation, since no stock options were granted in the first six months in 2011 compared to 1.3 million options being granted during the same period in 2010.

Capital Expenditures

Atlanta gold property, Idaho, USA:

Expenditures in the second quarter of 2011 of $3,443,000 were primarily in respect of paying $3,075,000 to Monarch 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. In comparison, expenditures in the second quarter of 2010 of $1,260,000 were focused on mobilization of two drills, commencement of the 2010 surface drilling program, purchase of buildings and equipment and dismantling, removal and relocation of such buildings and equipment from Nevada to Idaho, property lease payments, environmental and permitting expenditures, instalment payments on purchase of a royalty interest and the audit of the assay database.

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). 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, 2010, the Company accrued an estimated $150,000 in respect of restoration costs postponed to between June and September 2012, 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.

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 C$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.

Contingencies and Commitments

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	3	-	-
Atlanta *(1)(2)(3)(4)(5)*	3,137	137	-

1. *(1) 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 June 30, 2011, advance royalty payments of $1,500,000 had been made by AGC and will be deducted from future royalty payments to Monarch.*
2. *(2) 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 $200,000. The final $10,000 monthly installment was paid in January 2011. CAMC retains a 1% net smelter royalty.*
3. *(3) Pursuant to a lease agreement dated July 20, 2004 with Greene Tree, Incorporated, AGC leased a 20.55 acre property and associated water rights in the Atlanta area. The agreement requires lease payments of $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. *(4) 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. C. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at December 31, 2010, advance royalty payments of $168,500 have been made and will be deducted from any future royalty payments to F. C. Gardner.*
5. *(5) 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 December 31, 2010, advance royalty payments of $282,500 had been paid and will be deducted from any future royalty payments to Hollenbeck.*

Details and a discussion of the environmental litigation are included in the “Environmental Matters” section above and in Note 9. Contingency to the Company’s interim financial statements for the three and six months ended June 30, 2011.

Summary of Quarterly Results

Head office expenses of $446,000 incurred during the second quarter of 2011 were higher than expenses of $362,000 incurred during the same quarter in 2010, primarily due to: a) reinstating full salaries to senior staff who had voluntarily agreed to salary reductions during previous periods; b) an increase in professional fees arising in respect of securing equity and debt financings, conversion to IFRS and following the Company’s shares being traded on the OTCQX effective March 2, 2011. Partially offsetting this increase was a decrease in stock-based compensation, since no stock options were granted in the second quarter of 2011. Interest and other income earned in the second quarter of 2011 was lower compared to the same period in 2010, reflecting both lower cash levels and lower interest rates than during the second quarter of 2010. During the second quarter of 2011, the Canadian dollar was relatively unchanged compared to the U.S. dollar resulting in the Company realizing a nominal foreign exchange gain, as compared to a gain of $3,000 realized during the second quarter of 2010.

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 (3)	Loss Per Share
June 30, 2011	-	446	451*(1)(2)*	0.00
March 31, 2011	-	419	418*(1)(2)*	0.01
December 31, 2010	-	407	1,083*(1)(2)*	0.01
September 30, 2010	-	392	394*(1)(2)*	0.00
June 30, 2010	-	362	364*(1)(2)*	0.00
March 31, 2010	-	308	310*(1)(2)*	0.00
December 31, 2009	-	310	(101)*(1)(2)(5)*	(0.01)
September 30, 2009	-	331	478*(1)(2)(5)*	0.01

1. *Includes: (a) mineral property costs expensed as follows: $1 during the second quarter of 2011; $4 during the first quarter of 2011; $152 during the fourth quarter of 2010; $2 during the third quarter of 2010, $3 during the second quarter of 2010, $3 during the first quarter of 2010, $14 during the fourth quarter of 2009 and $133 during the third quarter of 2009; and (b) future income tax provisions (recoveries) taken as follows: $525 during the fourth quarter of 2010; and ($422) during the fourth quarter of 2009.*
2. *Includes stock based compensation expense charged as follows: $19 during the second quarter of 2011; $27 during the first quarter of 2011, $69 during the fourth quarter of 2010, $126 during the third quarter of 2010; $56 during the second quarter of 2010, $66 during the first quarter of 2010, $38 during the fourth quarter of 2009, and $49 during the third quarter of 2009.*
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.*
5. *Calculated using CGAAP.*

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. 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, and in 2009, the Company wrote off the carrying value of its Rocky Bar mineral properties, adjacent to Atlanta. The Company has determined that no charges had to be taken against Atlanta during the second quarter of 2011.

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 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 has continued to invest 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. By investing now to acquire necessary infrastructure on favourable terms, the Company will reduce future capital and operating expenses at Atlanta and further advance the Atlanta Project.

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 recent legal action filed against AGC by two environmental interest groups is disappointing given AGC's ongoing efforts to improve the quality of water entering Montezuma Creek, notwithstanding that AGC neither caused the discharge of the water nor contaminated the discharge. AGC will continue to cooperate with the various state and federal environmental agencies. While management believes that AGC has meritorious defences to the action, defence of the action as well as a decision in favour of the plaintiffs, could result in significant costs being incurred by AGC.

The Atlanta project is important because 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.

The Company remains on track to commence mining at Atlanta in late 2013 and produce concentrates in 2014.

Off-Balance Sheet Arrangements
The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties
The Company does not have any amounts owing to or from related parties as at June 30, 2011 and 2010. Two officers of the Company participated in the financing completed by the Company in April 2010, purchasing a total of 825,000 units for an aggregate subscription price of C$132,000.

Share Capital
As at August 25, 2011, the Company had 182,640,039 common shares outstanding, incentive stock options outstanding to purchase 6,663,333 common shares at prices ranging from C$0.18 to C$1.65 per share for terms ending between September 2011 and September 2015, and warrants outstanding to purchase 71,053,445 common shares at prices ranging from C$0.11 to C$0.25 per share, exercisable between September 2011 and August 2013.

Accounting Policies and Estimates

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.

The only significant adjustments made on adoption of IFRS were the write-down of Exploration and Evaluation Assets by $5,709,746 and the reduction of Future Income Taxes by $2,557,400 as at January 1, 2010.

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. A number of factors beyond the control of the Company may affect the marketability of any gold 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 the recovered grade of gold, to resource prices. The effect of these factors cannot accurately be predicted. The Company has limited financial resources 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, 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 could 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 Company's Debenture financing is subject to regulatory and shareholder approval. Should such approvals not be obtained, it could result in the lender under the Loan exercising its option to purchase the Property from AGC and / or seeking to enforce its mortgage security and either could result in and result in AGC losing its interest in the Property, which comprises a substantial portion of Atlanta. 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 activities. Such licenses, permits and laws are subject to change and there can be no assurance that the Company will in future be able to obtain all necessary licenses and permits. The Company's subsidiary is currently, and the Company and its subsidiary may in the future be, subject to legal action taken by environmental groups which if upheld, could result in potentially significant penalties and costs being incurred by the Company and delays in obtaining or inability to obtain requisite permits and licenses. 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 second quarter of 2011 as compared to those faced in the previous two quarters except those risks to continued ownership of the Property arising from the Loan and proposed Debenture financing.

Additional Information

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

August 25, 2011