<u>Management Discussion and Analysis</u>

This discussion and analysis of financial position and results of operations of Atlanta Gold Inc. (the "Company") and its subsidiaries for the years ended December 31, 2011 and 2010 has been prepared as of April 30, 2012.

The discussion below should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the years ended December 31, 2011 and 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 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 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; 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 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, operational 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.

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				
			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	**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. 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.

2011 Achievements

A 56,924 feet (17,350 metre) core drilling program was completed in 2011. The 2011 exploration program achieved the following:

- Established continuity along the 3,475 metre (11,400 foot) Atlanta Shear Zone between the Idaho area (west end of the Shear) and the East Extension area (east end of the Shear) confirming the potential for one continuous open pit from the Idaho area through the Buffalo, Monarch and East Extension areas. The surface expression of this portion of the Shear structure has a strike length of 2,135 metres (7,000 feet) and its open-pit portion has been confirmed to a depth of 305 metres (1,000 feet);

- Confirmed that the Shear extends to a depth of more than 900 metres (3,000 feet) with numerous intercepts along the Shear including at the west end of the Shear in the area containing the Idaho Pit, further opening up the potential for outlining bulk mineable zones below the open pit horizon;

- Explored splays trending northwest from the main Atlanta Shear and identified higher grade offshoots, and the New North Zones 1 and 2 located approximately 427 metres (1,400 feet) north west of the Atlanta Shear Zone; and

- Confirmed the continuity of the main Shear at depth, along strike and with significant widths.

In April 2011 AGC purchased from Monarch Greenback LLC a previously leased mineral property which is an integral part of the planned mining resource at Atlanta. Details and a description of this purchase are included in more detail in the “Ownership of Atlanta Properties” section below.

<u>Plan for Operations – 2012 and 2013:</u>

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 production 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 production at Atlanta.

In order to sustain its operations, the Company requires additional funds to discharge its liabilities, undertake 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 recent legal action filed against AGC by two environmental interest groups has adversely affected the Company’s share price and its ability to finance activities and 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.

Water treatment near portal to historic 900 adit

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, a pilot water treatment facility ("PWTF") which treats water flowing from the Adit to remove significant levels of naturally-occurring contaminants, including arsenic. 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, engaged consultants to evaluate various treatment options and is working on a draft Supplemental Plan of Operation ("SPOO") to modify and improve the PWTF, and, more recently, to construct a diversion pipeline to redirect the water flow and to close the Adit to eliminate the water discharge. AGC has been working closely with regulatory agencies over the past twelve 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 leases from the Bureau of Land Management.

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 will be considered at the next stage of the Court proceedings. While the Company is disappointed with the Court's ruling, it believes that the authorities will recognize AGC's past and continuing efforts to remove arsenic. AGC's plans for further improvement will be taken into account in the next stage of proceedings in which the Court will determine a penalty, if any, for the non-compliance. From operating the PWTF, AGC has gathered important scientific data to commit to environmental compliance for future planned operations.

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 United States Forest Service ("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 declaratory and injunctive relief and / or civil penalties, if any, which could be imposed by the Court should ICL and NEDC 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 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. ***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 "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 December 31, 2011, 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 December 31, 2011 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 December 31, 2011, 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 December 31, 2011, 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 December 31, 2011 are summarized in the table below.

Lessor / Royalty Holder	Property	Payments in Q4 of 2011 $	Advance Royalty Payments as at December 31, 2011 $
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	10	292,500
TOTAL		10	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 raised gross proceeds of C$3,400,000 from equity financings in 2011, as compared to C$8,014,000 in 2010, reflecting the more challenging market conditions facing the Company in 2011. Uncertainty surrounding the outcome of the ongoing environmental litigation against AGC delayed the completion of and reduced the size of planned financings. The decline in equity financings in 2011 was partially offset by the issuance of shares by the Company as part payment for the Boise property acquisition and by the completion of C$3 million in debt financing.

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 consisted 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.

During the fourth quarter of 2011, the Company raised gross proceeds of C$900,000 by means of a non-brokered private placement of 11,250,000 Units at a price of C$0.08 per Unit. Each Unit consisted of one common share and one-half of one common share purchase warrant, exercisable at C$0.12 per share for up to 24 months.

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, with each warrant exercisable at C$0.25 per share for up to 24 months. During the third quarter of 2010, the Company raised gross proceeds of C$5,500,000 by means of a non-brokered private placement of 34,375,000 common share units ("Units") priced at C$0.16 per Unit. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each warrant exercisable at C$0.25 per share for up to 24 months. The Company has 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

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 December 31, 2011 was $210,000 compared to $2,780,000 as at December 31, 2010. The significant decrease reflects both that the Company raised less money in 2011, in turn reflecting the adverse effect on the Company of the environmental litigation against AGC and the more challenging financial markets, and that the Company incurred higher exploration expenditures and purchases of properties and equipment.

Cash used in operating activities was $421,000 lower than in 2010. The decrease in cash flows was largely the result of slower payment of accounts payable in 2011.

Cash from financing activities for 2011 was $2,936,000 (2010 - $7,044,000) from issuance of a convertible debenture for C$3,000,000 (2010 – Nil), a promissory note for $425,000 (2010 – Nil) and equity securities for net proceeds of $2,936,000 (2010 - $7,044,000).

Cash used in investing activities for 2011 was $4,731,000 (2010 -$4,476,000). During 2011, primary uses of cash were for the purchase of the Monarch Property at Atlanta for $3,075,000 (2010 – Nil), the purchase of a commercial property in Boise for $860,000 (2010 – Nil), mineral property expenditures of $4,387,000 (2010 - $3,984,000) and equipment purchases of $344,000 (2010 - $491,000).

	As at December 31,	
	2011	**2010**
Cash and cash equivalents	210	2,780
Current assets	365	3,017
Current liabilities	(1,170)	(205)
Working capital (deficiency)	(805)	2,812

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 environmental litigation initiated against AGC in April 2011 continues to adversely impact the Company's share price and its fund-raising ability. Therefore, the Company has experienced delays in obtaining the financing required to sustain its activities and operations.

The working capital deficiency is expected to be addressed in the near term by completing one or more equity / debt financings and / or through possible direct investments in the Atlanta Project by joint venture partners.

In the longer term, the Company intends to finance its exploration and development activities from future financings of equity and / or debt and / or by obtaining direct investments in the Atlanta Project.

Equity

As at December 31, 2011, the Company had (a) 193,890,039 common shares issued and outstanding, (144,858,934 shares issued at December 31, 2010); (b) stock options outstanding to purchase 6,420,000 common shares (December 31, 2010 – 6,686,667) 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. In certain instances, the expiry dates of certain of the Warrants may be accelerated by the Company. Shareholders' equity as at December 31, 2011 was $38,998,000 compared to $36,217,000 as at December 31, 2010. Stock options outstanding as at December 31, 2011 had a weighted average exercise price of C$0.35 per share (December 31, 2010 - C$0.36 per share) and a weighted average life of 29 months (December 31, 2010 – 41 months).

General and Administrative Expenses

Corporate overhead expenses for 2011 were $1,792,000 (2010 - $1,472,000). The increase in 2011 compared with 2010 was mainly due to an increase in professional fees incurred in respect of the ongoing environmental litigation against AGC and in connection with the Company securing equity and debt financings and expenses incurred to list the Company's shares on the OTCQX and the foreign exchange difference between the bridge loan and convertible debenture (see Debt Financing) which was paid to the lender. Partially offsetting these increases, was a decrease in stock-based compensation, since no stock options were granted in 2011 compared to 2.56 million stock options being granted in 2010.

Capital Expenditures

Atlanta gold property, Idaho, USA:

Expenditures in 2011 of $7,817,000 (2010 $4,695,000) included exploration expenditures of $4,742,000 and the purchase of the Monarch property at Atlanta for $3,075,000. The 2011 exploration program involved operating three drills and conducting surface sampling at Atlanta, preparation of an updated NI 43-101 Technical Report, environmental and permitting expenditures and preparation for a Preliminary Economic Assessment.

In comparison, expenditures in 2010 of $4,695,000 were focused on an exploration program involving core drilling, surface sampling, 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, installment payments on purchase of a royalty interest and the audit of the assay database.

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:

		Payments Due by Period		
	Total	**Years 1 to 2**	**Years 3 to 4**	**Beyond Year 4**
Head office	35	34	1	-
Long-term debt[(1)(2)]	4,403	476	832	3,095
Operating leases[(3)]	194	165	29	-
Other long-term obligations[(4)(5)(6)(7)]	40	20	20	-
Total Contractual Obligations	4,672	695	882	3,095

(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 December 31, 2011, 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.

Fourth Quarter Results

General and administrative expenses for the fourth quarter of 2011 were $580,000 (2010 - $410,000). The increase from the fourth quarter of 2011 from 2010 was mainly due to the accrued foreign exchange difference between the bridge loan and convertible debenture (see Debt Financing). Partially offsetting these increases was a decrease in share-based compensation expense because the value of options vested in 2011 was lower than the value of options vested in 2010.

Cash provided by (used in) operating activities for the fourth quarter of 2011 was $140,000 (2010 – ($229,000)). The increase largely resulted from lower payments of accounts payables.

Cash used in financing activities for the fourth quarter of 2011 was $2,276,000 (2010 - $120,000) resulting from reclassification of cash proceeds from the bridge loan and its replacement with the convertible debenture to non-cash transactions and from the proceeds from a private placement completed in the fourth quarter of 2011.

Cash provided by (used in) investing activities for the fourth quarter of 2011 was $1,731,000 (2010 – ($1,094,000)) resulting from mineral property expenditures of $1,195,000 (2010 - $775,000) and equipment purchases of $34,000 (2010 - $319,000). These results were also impacted by the IFRS adjustment made on the financial statements for the year ended December 31, 2011.

SELECTED ANNUAL INFORMATION

All amounts in this section's tables are expressed in thousands of United States dollars, except per share data. Effective January 1, 2011, the Company changed its accounting policies from CGAAP to IFRS. Financial statements for periods since January 1, 2010 have been restated from those previously reported to conform to the IFRS accounting principles used in the preparation of the financial statements for the year ended December 31, 2011. Financial information for the year ended December 31, 2009 has not been restated and is stated under CGAAP.

	2011	2010	2009*
Total Revenues	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items	1,593	1,627	1,460
Loss per share	0.01	0.01	0.02
Net loss (i)	1,593	1,627	1,460
Net loss per share	0.01	0.01	0.02
Total assets (ii)	42,437	36,572	29,556
Total long-term financial liabilities	2,269	150	Nil
Cash dividends per share	Nil	Nil	Nil

** 2009 amounts have been restated in U.S. dollars.*

Total assets increased by $5,865,000 to $42,437,000 at December 31, 2011 from $36,572,000 at December 31, 2010 primarily due to mineral property expenditures and purchases of properties and equipment. Total assets increased by $7,016,000 to $36,572,000 at December 31, 2010 from $29,556,000 at December 31, 2009 primarily due to mineral property expenditures and purchases of equipment.

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
December 31, 2011	-	580	714	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
March 31, 2010	-	308	306*(1)(2)*	0.00

1. *Includes: Mineral property costs expensed as follows: $1,000 recovered during the fourth quarter of 2011; $2,000 during the third quarter of 2011; $4,000 during the second quarter of 2011; $5,000 recovered during the first quarter of 2011; $1,000 during the fourth quarter of 2010; $2,000 during the third quarter of 2010, $1,000 during the second quarter of 2010 and $0 during the first quarter of 2010.*
2. *Includes stock based compensation expense charged as follows: $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; $56,000 during the second quarter of 2010, $66,000 during the first 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 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 expects to 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 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 will prevail until the Court decides on damages or a settlement is reached with ICL and NEDC. If the Court awards significant damages against AGC, this will have a material adverse impact on AGC, the Company's financial condition and its ability to continue as a going concern.

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

Accounts payable and accrued liabilities include $5,200 (2010 - $10,678) owing to certain directors and officers of the Company. Certain directors and officers subscribed for 7,110,000 Units (2010 – 2,390,000 Units) in private placements in 2011 for an aggregate subscription price of C$535,200 (2010 - C$382,400). Share-based compensation paid to directors and officers of $43,801 (2010 - $143,587) was included in the statements of loss and comprehensive loss and $17,997 (2010 - $55,513) was included in exploration and evaluation assets. All transactions with related parties are in the normal course of business and are measured at the fair value.

Share Capital

As at April 30, 2012, the Company has 193,890,039 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.

The only significant adjustments made on adoption of IFRS were the write-down of exploration and evaluation assets by $8,304,350, a reduction of $4,015,960 in deferred income taxes and a reduction of $10,929 in the fair market value of marketable securities 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, 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 or lease of assets to provide the funds necessary for the Company's operational 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 could 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 U.S. Federal Water Pollution Court 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.

April 30, 2012

ATLANTA GOLD INC.

Atlanta Gold Inc.

Consolidated Financial Statements

December 31, 2011

(Expressed in U.S. Dollars)

Management's Report on the Consolidated Financial Statements

The accompanying consolidated financial statements of Atlanta Gold Inc. have been prepared by and are the responsibility of the Company's management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and contain estimates based on management's judgment. Management maintains a system of internal controls adequate to provide reasonable assurance that transactions are authorized, assets are safeguarded and records are maintained.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which is comprised of three independent directors. The Audit Committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Company's auditors have full access to the Audit Committee, with and without management being present. PricewaterhouseCoopers LLP have audited these consolidated financial statements and their report follows.

"Warren Holmes"	"Bill Baird"
W. Warren Holmes	William J. C. Baird
Interim President & CEO	Director & Vice-President & CFO

Toronto, Ontario, Canada
April 30, 2012

April 30, 2012

Independent Auditor's Report

To the Shareholders of
Atlanta Gold Inc.

We have audited the accompanying consolidated financial statements of Atlanta Gold Inc. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010 and January 1, 2010, and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity and cash flow for the years ended December 31, 2011 and 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, Chartered Accountants
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atlanta Gold Inc. and its subsidiary as at December 31, 2011 and 2010 and January 1, 2010 and their financial performance and their cash flows for the years ended December 31, 2011 and 2010 in accordance with IFRS.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1, which describes the matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Atlanta Gold Inc. and its subsidiary's ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Financial Position
(Expressed in U.S. Dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current assets:			
Cash and cash equivalents	**$ 210,170**	$ 2,779,772	$ 1,406,916
Marketable securities	**27,136**	28,644	25,251
Recoverable taxes	**58,649**	102,937	38,624
Prepaid expenses	**69,199**	105,670	82,260
	365,154	3,017,023	1,553,051
Exploration and evaluation assets (note 6)	**40,126,393**	32,309,665	27,614,411
Property, plant and equipment (note 5)	**1,945,708**	1,245,533	388,847
	$ 42,437,255	$ 36,572,221	$ 29,556,309
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities (note 10)	**$ 1,170,176**	$ 204,839	$ 153,341
	1,170,176	204,839	153,341
Non-current liabilities			
Assets retirement obligation	**200,000**	150,000	-
Promissory note (note 9(b))	**424,860**	-	-
Convertible debenture (note 9(a))	**1,644,418**	-	-
	3,439,454	354,839	153,341
EQUITY			
Capital stock (note 8(a) and (d))	**86,804,439**	85,015,716	79,303,843
Warrants (note 8(b))	**4,347,039**	2,651,674	539,658
Contributed surplus (note 8(c))	**6,890,332**	6,001,498	5,384,410
Accumulated deficit	**(59,044,009)**	(57,451,506)	(55,824,943)
	38,997,801	36,217,382	29,402,968
	$ 42,437,255	$ 36,572,221	$ 29,556,309

Nature of operations and going concern (note 1)
Commitments and contingencies (note 13)
Subsequent events (note 15)

Approved by the Board:

"Jim Gray"

James K. Gray
Director

"Warren Holmes"

W. Warren Holmes
Director

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

ATLANTA GOLD INC.

(An exploration stage company)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in U.S. Dollars)
Years ended December 31, 2011 and 2010

	2011	2010
General and administrative expenses:		
Salaries and management fees (note 12)	$ **478,508**	$ 386,836
Share-based compensation (note 8(c))	**59,138**	317,081
Professional fees	**594,038**	428,505
Investor relations	**372,039**	247,164
Travel and accommodation	**26,172**	23,233
Loss (gain) from foreign currency transactions	**103,763**	(16,502)
Administrative and office	**158,141**	81,401
Amortization	**-**	3,904
	1,791,799	1,471,622
Exploration and evaluation expense	**54,378**	160,295
	1,846,177	1,631,917
Finance items:		
Finance income	**(2,968)**	(3,436)
Finance costs	**86,682**	1,475
Unrealized loss (gain) on marketable securities	**1,508**	(3,393)
	85,222	(5,354)
Deferred income tax provisions (recovery)	**(338,896)**	-
Net loss and comprehensive loss for the year	$ **1,592,503**	$ 1,626,563
Weighted average number of consolidated shares outstanding	**161,045,779**	115,310,348
Net loss per share - basic and diluted (note 11)	$ **0.01**	$ 0.01

Nature and operations and going concern (note 1)

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

ATLANTA GOLD INC.
(An exploration stage company)
(Expressed in U.S. Dollars)
Consolidated Statements of Cash Flow
Years ended December 31, 2011 and 2010

	2011	2010
Cash provided by (used in)		
Operating activities:		
Net loss and comprehensive loss for the year	**$ (1,592,503)**	$ (1,626,563)
Add (deduct) items not involving cash:		
Assets retirement obligation	**50,000**	150,000
Deferred income tax (recovery)	**(338,896)**	-
Amortization	**-**	3,904
Share-based compensation	**59,138**	317,081
Unrealized loss on available-for-sale marketable securities	**1,508**	(3,393)
Net change in non-cash working capital	**1,046,096**	(36,225)
Net cash used in operating activities	**(774,657)**	(1,195,196)
Financing activities:		
Issuance of common shares net of issuance costs	**2,935,751**	7,043,566
Net cash from financing activities	**2,935,751**	7,043,566
Investing activities:		
Exploration and evaluation asset	**(4,386,875)**	(3,984,064)
Property, plant and equipment	**(343,821)**	(491,450)
Net cash used in investing activities	**(4,730,696)**	(4,475,514)
Increase (decrease) in cash and cash equivalents	**(2,569,602)**	1,372,856
Cash and cash equivalents, beginning of period	**2,779,772**	1,406,916
Cash and cash equivalents, end of period	**$ 210,170**	$ 2,779,772
Net change in non-cash working capital items		
Recoverable taxes	**$ 44,288**	$ (64,313)
Prepaid expenses	**36,471**	(23,410)
Accounts payable and accrued liabilities	**965,337**	51,498
	$ 1,046,096	$ (36,225)
Significant non-cash financing and investing activities		
Proceeds from convertible debenture to purchase exploration and evaluation assets	**$ 3,000,000**	$ -
Proceeds from promissory note to purchase property, plant and equipment	**425,000**	-
Capitalized share-based compensation	**26,347**	80,330
Capitalized amortization	**403,506**	400,859
Shares issued	**335,000**	750,538

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

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Changes in Equity
For the years ended December 31, 2011 and 2010
(Expressed in U.S. Dollars)

	Number of Shares	Share Capital (note 8(a)(d))	Warrants (note 8(b))	Contributed Surplus (note 8(c))	Accumulated Deficit	Total
Balance - January 1, 2010	90,048,874	$ 79,303,843	$ 539,658	$ 5,384,410	$(55,824,943)	$ 29,402,968
Issue shares for cash						
- at C$0.16 per common share unit, net of share issue costs	49,291,100	4,726,998	2,438,193	-	-	7,165,191
- at C$0.13 per common share unit, on the exercise of compensation warrants	983,360	234,337	(106,500)	-	-	127,837
Issue of shares for Newmont assets						
- at C$0.22 per common share net of share issue costs	4,535,600	750,538	-	-	-	750,538
Share-based compensation	-	-	-	397,411	-	397,411
Warrants expiring unexercised	-	-	(219,677)	219,677	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(1,626,563)	(1,626,563)
Balance - December 31, 2010	144,858,934	$ 85,015,716	$ 2,651,674	$ 6,001,498	$(57,451,506)	$ 36,217,382
Issue of shares for cash,						
- at C$0.07 per common share unit, net of share issue costs	35,714,276	824,650	1,386,978	-	-	2,211,628
- at C$0.08 per common share unit net of share issue costs	11,250,000	629,073	95,050	-	-	724,123
Issue of C$3m convertible debenture						
with warrants	-	-	673,593	-	-	673,593
with convertible options	-	-	-	343,093	-	343,093
Issue of shares to acquire 3N LLC property	2,066,829	335,000	-	-	-	335,000
Share-based compensation (note 8(c))	-	-	-	85,485	-	85,485
Warrants expiring unexercised (note 8(b))	-	-	(460,256)	460,256	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(1,592,503)	(1,592,503)
Balance - December 31, 2011	193,890,039	$ 86,804,439	$ 4,347,039	$ 6,890,332	$(59,044,009)	$ 38,997,801

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

1. Nature of operations and going concern

Atlanta Gold Inc. (the "Company") was incorporated on March 6, 1985 under the laws of British Columbia and continued into Ontario on March 15, 2000. The Company is domiciled in Canada and its registered head office is 5600 – First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1C9. Its common shares are listed on the TSX Venture Exchange trading under the symbol "ATG", and on the OTC Markets Group Inc. OTCQX International tier trading under the symbol "ATLDF".

The Company's primary property is its Atlanta Gold Property ("Atlanta"), located in Idaho, U.S.A. Atlanta is in the advanced exploration phase. The Company's other properties including the diamond properties located on Baffin Island and its Québec gold properties are all in the exploration phase. No further work is planned in these areas and as a result the carrying values were written off.

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they become due. While the consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, the Company is not considered to be in operation, and thus, has not yet generated any revenues or cash flows from operations. As at December 31, 2011, the Company's current liabilities exceeded its current assets by $805,022, and it has an accumulated deficit of $59,044,009 and reported a loss of $1,592,503 for the year ended December 31, 2011. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. In view of these circumstances, the Company requires additional financings to complete its planned exploration and development program on Atlanta, and will continue to explore financing alternatives to raise capital. Although management has been successful in obtaining sufficient capital to date in pursuing the Company's business plans, there can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. The Company's ability to continue as a going concern depends on obtaining funding and achieving profitable operations.

Nevertheless, it is not possible to determine with any certainty the success of these initiatives. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

2. Basis of preparation and adoption of IFRS

The Company prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

The consolidated financial statements have been prepared in compliance with IFRS as issued by IASB. Subject to certain transition elections and exceptions disclosed in note 4, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2010 throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010 prepared under Canadian GAAP.

These consolidated financial statements were approved by the board of directors for issue on April 19, 2012.

3. Summary of significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below and have been applied consistently in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

Basis of measurement
The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of marketable securities to fair value and the embedded derivative resulting from conversion options embedded in the convertible debenture which was fair valued.

Consolidation
The financial statements consolidate the accounts of the Company and its wholly-owned subsidiary, Atlanta Gold Corporation ("AGC"). Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de consolidated from the date that control ceases.

Functional currency and change in presentation currency
The functional currency of the parent Company is Canadian dollars and AGC is U.S. dollars. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Effective January 1, 2011, the Company changed its presentation currency to the US dollar ("USD"). The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. Prior to January 1, 2011, the Company presented its consolidated financial statements in

3. Significant accounting policies (continued)

Functional currency and change in presentation currency (continued)

Canadian dollars ("CAD"). In making this change to the presentation currency, the Company followed the guidance in IAS 21, The effects of changes in foreign exchange rates and have applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. In accordance with IAS 21, the financial statements for all years and periods presented have been translated to the new presentation currency as follows:

- All assets and liabilities have been translated from their functional currency into the new presentation currency at the beginning of the comparative period, January 1, 2010, using the opening exchange rate and re-translated at the closing rate at the date of each balance sheet;
- Income and expenses for each statement of loss presented have been re-translated at average exchange rates prevailing during each reporting period;
- Equity balances have been translated at the beginning of the comparative period, January 1, 2010, at the opening exchange rate on that date and subsequently translated at historical rates; and
- All resulting exchange differences have been recognized in other comprehensive loss and accumulated as a separate component of equity.

All financial information is presented in USD unless otherwise stated.

(i) Functional currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of Atlanta Gold Inc. is Canadian dollar, and for Atlanta Gold Corporation it is United States dollar.

The financial statements of entities that have a functional currency different from the presentation currency are translated into United states dollars as follows: assets and liabilities at the closing rate at the date of the statement of financial position, and income and expenses at the average rate of the period (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of each entity using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of loss and comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

3. Significant accounting policies (continued)

Financial instruments (continued)
Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. The only instruments held by the Company classified in this category are marketable securities (financial assets) and embedded derivative relating to conversion option embedded in the convertible debenture issued. Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the statement of loss and comprehensive loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, promissory note and convertible debenture and are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Impairment of financial assets
The Company assesses, at each date of the statement of financial position, whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

Financial assets are carried at amortized cost. The loss is the difference between the amortized cost of the asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate.

Reversals of impairment losses on financial assets carried at amortized cost are recorded through the statement of loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized.

3. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment include land, building, office furniture, vehicles, fixtures, equipment and computer hardware. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is recognized when replaced. Repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets (major components) of property, plant and equipment. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss. The major categories of property, plant and equipment are depreciated on a straight-line basis as follows: a) The office furniture, fixtures, and equipment are amortized over ten years; and b) vehicles and computer hardware are depreciated over three years. All property, plant, and equipment are depreciated on a straight-line basis.

Exploration and evaluation asset

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

The Company reviews the carrying values of its exploration and evaluation assets on a regular basis with a view to assessing whether there has been any impairment in value. When impairment conditions are identified, reviews of exploration and evaluation assets are conducted including an assessment of drilling and exploration results, and potential revenues, pending determination of the technical feasibility and commercial viability of the project and a decision by the Board of Directors to develop a mine.

Impairment of non-financial assets

Property, plant and equipment and exploration and evaluation assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The CGUs are defined as exploration properties.

The Company evaluates impairment losses, for potential reversals when events or circumstances warrant such consideration.

3. Significant accounting policies (continued)

Current and deferred income tax

Income tax comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. In general, deferred income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using income tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred income tax assets and liabilities are presented as non-current.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Net loss per share

Net loss per share is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, stock warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive instruments of common shares comprise stock options granted to directors and employees, warrants and a convertible debenture.

Share-based payment

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees for some or all of the goods or services received by the Company, and consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted using the Black-Scholes option-pricing model.

3. Significant accounting policies (continued)

Share-based payment (continued)

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date and until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. No expense is recognized for awards that do not ultimately vest.

Segment reporting

The Company has only a single operating segment, and therefore one reportable segment. The single operating segment is the Company’s operation in the United States. The Company’s non-current assets are principally located in the United States. Non-current assets located at the corporate office in Canada are minor in relation to the total.

Provision for Environmental Rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation is attributable when the asset is installed or the environment is disturbed. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related assets.

The periodic unwinding of the discount applied in establishing the net present value of provisions due to the passage of time is recognized in the statement of loss and comprehensive loss as a finance cost. Additional disturbances or changes in rehabilitation estimates attributable to development will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

When a closure and environmental obligation arises at a location where there are no ongoing activities, the costs are expensed as incurred.

Accounting standards issued but not yet applied

IFRS 7, Financial instruments: disclosure, has been amended to include additional disclosure requirements in the reporting of transfer transactions and risk exposures relating to transfers of financial assets and the effect of those risks on an entity’s financial position, particularly those involving securitization of financial assets. The amendment is applicable for annual periods beginning on or after July 1, 2011, with earlier application permitted. IFRS 7 “Financial instrument – disclosure” was further amended to provide guideline on the eligibility criteria for offsetting assets and liabilities as a single net amount in the balance sheets. This amendment is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact on its consolidated financial statements.

3. Significant accounting policies (continued)

Accounting standards issued but not yet applied (continued)

IFRS 9, Financial Instruments, was issued in November 2009 and contained requirements for financial assets. This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. This standard is effective for years beginning on or after January 1, 2013. IFRS 9 was subsequently updated to include guidance on financial liabilities and de recognition of financial instruments. This is also effective for years beginning on/after January 1, 2015. The Company is currently assessing the impact on its consolidated financial statements.

IFRS 10, Consolidation, was issued in May 2011, and requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It is effective for annual periods beginning on or after January 1, 2013. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC 12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The Company is currently assessing the impact on its consolidated financial statements.

IFRS 11, Joint Arrangements, was issued in May 2011 and requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. This standard is effective for annual periods beginning on or after January 1, 2013. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. The Company does not expect this new standard to impact its consolidated financial statements.

IFRS 12, Disclosures of Interests in Other Entities, was issued in May 2011 and establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. This standard is effective for annual periods beginning on or after January 1, 2013. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Company does not expect this new standard to impact its consolidated financial statements.

IFRS 13, Fair Value Measurement, was issued in May 2011 and is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. This standard is effective for annual periods beginning on or after January 1, 2013. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company is currently assessing the impact on its consolidated financial statements.

3. Significant accounting policies (continued)

Accounting standards issued but not yet applied (continued)

IAS 1, "Presentation of financial statements", has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company is currently assessing the impact on its consolidated financial statements.

IAS 28, Investments in Associates and Joint Ventures, was amended in May 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact on its consolidated financial statements.

IAS 32, Financial instruments: presentation (IAS 32) was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014.

Significant accounting judgments and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The following areas involve a higher degree of judgment or are areas where assumptions and estimates are significant to the consolidated financial statements. Actual results may differ significantly from these estimates included in the consolidated financial statements.

(i) Valuation of exploration and evaluation assets and other long lived assets

Mining assets and other long lived assets are reviewed and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Common indicators of impairment in the mining industry include:

- No further expenditure is budgeted or planned;
- Exploration for and evaluation of mineral resources has not led to the discovery of commercially viable quantities of mineral resources and a decision to discontinue such activities has been made;
- A significant deterioration in expected future commodity prices;
- A significant adverse movement in foreign exchange rates;
- A significant increase in production costs;
- A large cost overruns during the development and construction of a new mine;
- A significant increase in the expected cost of dismantling assets and restoring the site;
- A significant reduction in the mineral content of ore reserves/resources;
- A significant increase in market interest rates; and
- Adverse changes in government regulations and environmental law, including a significant increase in the taxes payable by the mine.

As at December 31, 2011 the Company determined that there were no indicators of impairment in carrying values of cash generating units (CGU).

3. Significant accounting policies (continued)

Significant accounting judgments and estimation uncertainties (continued)

(ii) Useful economic life of property, plant and equipment
The cost less the residual value of each item of property, plant and equipment is amortized over its useful economic life. Amortization is charged to cost of production over the shorter of the estimated lives of the individual assets or the life of mine using the units-of-production method. Amortization commences when assets are available for use. Land is not amortized.
The assets useful lives, expected units-of-production and methods of amortization are reviewed and adjusted if appropriate at each fiscal year end.

(iii) Calculation of share-based compensation expense and valuation of warrants
The amount expensed for share-based compensation is based on the application of a recognized option valuation formula, which is highly dependent on the expected volatility of the Company's shares and the expected life of the options. The Company uses an expected volatility rate for its shares based on past stock trading data, adjusted for future expectations, and actual volatility may be significantly different. While the estimate of share-based compensation can have a material impact on the operating results reported by the Company, it is a non-cash charge and as such has no impact on the Company's cash position or future cash flows. The estimated volatility in determination of the fair value of warrants is a key assumption in the warrants valuation formula and its change may have a material impact to financial statements.

(iv) Income taxes
Income taxes are calculated using the liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantially enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized. Deferred tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, including forecasts, it is probable that they will be realized.

(v) Convertible debenture
The fair value of the convertible debenture and its conversion components were estimated by using a range of fair values based on the valuation of the convertible debenture, the convertible debenture without the conversion option, the call and put option, as well as an expectation of an upper and lower end of a credit spread and a fair value calculation using risk statistics for convertible bonds. The calculation included time varying call and put options as well as soft calls, forced conversion at maturity, cash payments on conversion and capped conversion price, using a function of finite difference methods. (note 9)

4. Transition to IFRS

As stated in note 2, the Company has adopted IFRS effective January 1, 2011. Our transition date is January 1, 2010 (the "transition date") and the Company has prepared its opening balance sheet at that date.

a. Transition elections

IFRS 1 allows exemptions from the application of certain IFRS requirements to assist companies with the transition process. Accordingly, the Company has applied the following choices in respect of the optional exemptions from full retrospective application, as set out in IFRS 1.

(i) Share-based payment transaction exemption
The Company has elected to apply the exemption to IFRS 2 Share-based Payments to equity instruments granted on or before November 7, 2002, and to all awards granted after November 7, 2002 and vested before January 1, 2010. In accordance with IFRS 1 transitional provisions, the Company elected to apply IFRS relating to share-based payments retrospectively to outstanding stock options that had not vested prior to January 1, 2010. As such, Canadian GAAP balances relating to the vested stock options prior to January 1, 2010, have been carried forward without adjustment.

(ii) Effect of changes in foreign exchange rates
The Company has elected to deem that the cumulative translation differences for all foreign subsidiaries will be zero at the Transition Date as permitted under IFRS 1.

(iii) Business combinations
In accordance with IFRS 1 transitional provisions, the Company elected to apply IFRS relating to business combinations prospectively from January 1, 2010. There were no adjustments arising from this election as all acquired assets and liabilities conformed to IFRS.

(iv) Financial assets at fair value through profit and loss
Under IFRS 1, an entity is permitted to designate a previously recognized financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or a financial asset as available for sale. The Company's available for sale financial asset (marketable securities) has accordingly been designated as fair value through profit and loss (FVTPL).

(Expressed in U.S. Dollars)

4. Transition to IFRS (continued)

b. Reconciliation of equity and comprehensive loss from Canadian GAAP to IFRS

The following is a reconciliation of the Company's equity and comprehensive loss reported in accordance with Canadian GAAP to its equity reported under IFRS at the transition date January 1, 2010 and December 31, 2010:

		December 31, 2010	**January 1, 2010**
Equity as reported under Canadian GAAP	C$	(53,600,488)	(51,445,741)
	US$	(53,600,488)	(51,445,741)
Exploration and evaluation		(8,304,250)	(8,304,250)
Property, plant and equipment and evaluation		(101,841)	(101,841)
Deferred income taxes		4,540,751	4,015,960
Fair value of securities to FVTPL		14,322	10,929
Equity as reported under IFRS		(57,451,506)	(55,824,943)

The following is a reconciliation of the Company's comprehensive loss reported in accordance with Canadian GAAP to its comprehensive loss reported under IFRS for the year ended December 31, 2010:

	Note	Year ended December 31 2010
As reported under Canadian GAAP:		
C$		2,151,354
US$ (par with C$)	4 b ii)	2,151,354
Deferred tax		(524,791)
As reported under IFRS	4 b ii)	$ 1,626,563

4. Transition to IFRS (continued)

b. Reconciliation of equity and comprehensive loss from Canadian GAAP to IFRS (continued)

Explanatory notes

(i) In accordance with IFRS 1 (first time adoption of IFRS) transitional provisions, the Company has elected to reset the cumulative translation account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS.

(ii) Effective January 1, 2011, the Company changed its presentation currency to USD. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. Prior to January 1, 2011, the Company presented its annual and interim consolidated financial statements in CAD. In making this change to the presentation currency, the Company followed the guidance in IAS 21, The Effects of Changes in Foreign Exchange Rates, and has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. The impact was an exchange loss of $8,034,250 relating to exploration and evaluation property as at January 1, 2010 upon changing from CAD to USD for IFRS purposes.

(iii) The recorded deferred tax liability under Canadian GAAP was reversed in amount of $4,015,960 as of January 1, 2010 and the additional deferred income tax charge of $524,791 as of December 31, 2010. In accordance to IAS 12, the deferred tax asset is only recognized up to the deferred income tax liabilities available for offset. Any deferred income tax assets in excess of that amount were not recognized.

(iv) Under IFRS 1, an entity is permitted to designate a previously recognized financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or a financial asset as available for sale. The Company's available for sale financial asset has accordingly been designated as fair value through profit and loss. Therefore, amounts previously recorded in accumulated other comprehensive loss have been transferred directly to accumulated deficit and have no impact on the shareholder's' equity reconciliation.

(v) Under IFRS, the Company is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest in each period. The impact of any revisions to estimated forfeitures, if any, is recognized in the income statement, with a corresponding adjustment to equity. The transition from Canadian GAAP to IFRS had no impact to the opening accumulated deficit on the transition date, January 1, 2010.

c. Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows.

ATLANTA GOLD INC.
(An exploration stage company)
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
For the years ended December 31, 2011 and 2010

5. Property, plant and equipment

	Land	Building, Field Equipment and Others	Total
At January 1, 2010:			
Cost	$ -	$ 1,110,022	$ 1,110,022
Accumulated depreciation	-	(721,175)	(721,175)
Opening Net Book Value at January 1, 2010	-	388,847	388,847
Year ended December 31, 2010:			
Opening Net Book Value at January1, 2010	-	388,847	388,847
Additions	-	1,261,449	1,261,449
Depreciation	-	(404,763)	(404,763)
Exchange differences	-	-	-
Closing Net Book Value at December 31, 2010	$ -	$ 1,245,533	$ 1,245,533
At January 1, 2011:			
Cost	$ -	$ 2,371,471	$ 2,371,471
Accumulated depreciation	-	(1,125,938)	(1,125,938)
Exchange differences	-	-	-
Opening Net Book Value at January 1, 2011	-	1,245,533	1,245,533
Year ended December 31, 2011:			
Opening Net Book Value at January1, 2011	-	1,245,533	1,245,533
Additions	869,804	250,627	1,120,431
Disposals	-	(16,750)	(16,750)
Depreciation	-	(403,506)	(403,506)
Closing Net Book Value at December 31, 2011	$ 869,804	$ 1,075,904	$ 1,945,708
At December 31, 2011:			
Cost	$ 869,804	$ 2,605,348	$ 3,475,152
Accumulated depreciation	-	(1,529,444)	(1,529,444)
Closing Net Book Value at December 31, 2011	**$ 869,804**	**$ 1,075,904**	**$ 1,945,708**

All depreciation charges in the year of 2011 were capitalized into exploration and evaluation assets.

(Expressed in U.S. Dollars)

6. Exploration and evaluation assets

	Exploration and Evaluation Asset
At January 1, 2010:	
Cost	$ 27,614,411
Accumulated depreciation	-
Opening net book value	27,614,411
Year ended December 31, 2010:	
Opening net book value	27,614,411
Additions	4,695,254
Closing net book value	**$ 32,309,665**
At January 1, 2011:	
Cost – IFRS	$ 32,309,665
Accumulated depreciation	-
Opening net book value	32,309,665
Year ended December 31, 2011:	
Opening net book value	32,309,665
Additions	7,816,728
Further foreign exchange adjustment	**-**
Closing net book value	**$ 40,126,393**
At December 31, 2011:	
Cost	$ 40,126,393
Accumulated depreciation	-
Net book value	**$ 40,126,393**

Atlanta Gold Property, Idaho, U.S.A.
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.

6. Exploration and evaluation assets (continued)

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

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

(i) Monarch Greenback LLC
On April 28, 2011, AGC exercised its option to purchase a 100% interest in a property comprised of 33 mining claims totaling 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 totaling $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 December 31, 2011, advance royalty payments of $1,500,000 had been paid by AGC to Monarch and will be deducted from future royalty payments to Monarch.

(ii) 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.

(iii) 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, 2011 advance royalty payments of $178,500 have been made and will be deducted from any future royalty payments to F. Gardner.

(iv) 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, 2011, 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 December 31, 2011, advance royalty payments totaling $2,174,500 will be deducted from any future royalty payments to lessors / royalty holders.

(Expressed in U.S. Dollars)

7. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

For the years ended	December 31, 2011	December 31, 2010
Computed income tax at Canadian statutory tax rates	$ (545,621)	$ (504,235)
Permanent differences	95,923	132,411
Share issue costs	(26,047)	(90,529)
Other	136,849	462,353
Income tax (recovery)	$ (338,896)	$ -

Effective January 1, 2011, the Canadian Federal corporate tax rate decreased from 18% to 16.5% and effective July 1, 2011, the Ontario provincial tax rate decreased from 12.99% to 11.75%. The overall reduction in tax rates has resulted in a decrease in the Company's statutory tax rate from 31% to 28.25%.

The tax effect of temporary differences of the Corporation that give rise to significant portions of deferred income tax assets and deferred income tax liabilities are presented below.

	December 31, 2011	December 31, 2010	January 1 2010
Deferred income tax assets			
Property, plant and equipment	$ 3,203	$ 3,580	$ -
Non-capital loss carry forwards	1,085,983	489,581	-
Total deferred income tax assets	1,089,186	493,161	-
Deferred income tax liabilities			
Marketable securities	(3,203)	(3,580)	-
Convertible debenture	(338,896)	-	-
Exploration and evaluation assets	(747,087)	(223,870)	-
Property, plant and equipment	-	(265,711)	-
Total deferred income tax liabilities	(1,089,186)	(493,161)	-
Net deferred tax	$ -	$ -	$ -

(Expressed in U.S. Dollars)

7. Income taxes (continued)

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred tax assets of $24,474,495 as at December 31, 2011 (December 31, 2010 - $23,966,083) on the non capital losses, capital losses, property, plant and equipment, exploration and evaluation assets, assets retirement obligations, cumulative eligible capital and share issuance costs.

Accumulated Canadian tax losses not recognized expire as per the amount and the years noted below. Deferred tax assets have not been recognized in respect of these items as the Company is unable to control the timing of when future taxable profit will be available against which the Company can utilize the benefit of the losses.

The following table summarized the Company's non-capital (not recognized) that can be applied against future taxable profit:

Years Generated	Expiry Date	Amount
2005	2015	C$1,222,037
2006	2026	2,193,041
2007	2027	1,602,289
2008	2028	2,016,812
2009	2029	1,492,863
2010	2030	1,375,789
2011	2031	1,808,414
Non-Capital Losses		**C$11,711,245**

The Company has capital losses of C$4,790,523 which can be carried forward indefinitely.

AGC has US loss carry-forwards of approximately $4,450,020 expiring between 2012 and 2026, which are available to reduce future United States taxable income. The Company has not paid any income taxes during the last three taxation years.

8. Share capital

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

(Expressed in U.S. Dollars)

8. Share capital (continued)

(b) Warrants

The following table summarizes the warrant transactions as follows:

	Number of Shares	FMV of Warrants at Date of Issue C$	Weighted Average Exercise Price C$
Outstanding at January 1, 2010	13,483,360	539,658	0.25
Warrants issued on issuance of shares for cash	32,103,600	2,191,418	0.25
Compensation warrants issued on issuance of shares for cash	3,298,288	246,775	0.25
Warrants exercised during the year	(983,360)	(106,500)	0.13
Warrants expired during the year	(8,162,000)	(219,677)	0.25
Outstanding at December 31, 2010	39,739,888	2,651,674	0.25
Warrants issued on issuance of shares for cash (note 8(d))	41,339,276	1,386,978	0.11
Compensation warrants issued on issuance of shares for cash (note 8(d))	1,759,769	95,050	0.11
Warrants issued with the convertible debenture	30,000,000	673,593	0.11
Warrants expired during the year	(7,636,288)	(460,256)	0.25
Outstanding at December 31, 2011	**105,202,645**	**4,347,039**	**0.15**

The fair market value of warrants issued is separately recorded and disclosed from share capital in the year warrants are issued. Warrants that are exercised will be recorded as share capital and warrants that expire unexercised will be recorded as contributed surplus. During 2011, 7,636,288 warrants issued in 2009 and 2010, and having a fair value at date of grant of C$460,256 expired unexercised. The weighted average exercise price of the warrants issued during 2011 was C$0.11, and the weighted average exercise price of the warrants issued and outstanding on December 31, 2011 was C$0.15. During 2010, 983,360 compensation warrants issued in 2008 and having a fair value at date of grant of C$106,500 were exercised, and another 8,162,000 warrants issued in 2008 and having a fair value at date of grant of C$219,677 expired unexercised. The weighted average grant date fair value of the warrants issued in 2010 was C$0.15, and the weighted average grant date fair value of the compensation warrants issued in 2010 was C$0.08. The allocation of gross proceeds between warrants and common shares was done using a relative pro rata method based on fair values of common stock and warrants at the date of grant.

(Expressed in U.S. Dollars)

8. Share capital (continued)

(b) Warrants (continued)

The fair values of the warrants issued were estimated on the date of issuance using the Black Scholes option pricing model with the following assumptions adopted at the measurement date:

	2011	2010
Risk-free interest rate	0.85% to 1.48%	1.60% to 1.72%
Expected life	1 to 5 years	1 to 2 years
Estimated volatility in the market price of the common shares	73% to 83%	141% to 178%
Dividend yield	Nil	Nil

(c) Stock options

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

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

(Expressed in U.S. Dollars)

8. Share capital (continued)

(c) Stock options (continued)

	Number of Shares	Weighted Average Exercise Price C$
Outstanding at January 1, 2010	4,153,334	0.49
Options granted	2,560,000	0.18
Options expired	(26,667)	3.15
Outstanding at December 31, 2010	6,686,667	0.36
Options expired or cancelled	(266,667)	0.77
Outstanding at December 31, 2011	**6,420,000**	**0.35**
Exercisable at December 31, 2011	**6,123,000**	**0.35**

6,123,000 of the stock options outstanding as at December 31, 2011, having a weighted average price of C$0.35 per share are exercisable immediately. Of the remaining 297,000 stock options, 39,000 will vest on April 21, 2012 and 258,000 will vest on September 27, 2012. All stock options expire between March 2013 and September 2015. During 2010, the Company granted a total of 2,560,000 stock options. 764,000 options vested immediately upon granting, 348,000 stock options will vest one year after granting, another 348,000 stock options will vest two years after granting, and 25% of 1,100,000 stock options granted to a consultant vests quarterly starting in June 2010. All of these options were granted when their exercise price equaled the fair value of the stock at grant date. The weighted average remaining contractual life of all stock options outstanding is 29 months (December 31, 2010 – 41 months),

Expiry Date	Number of Stock Options	Exercise Price C$
March 1, 2013	1,405,000	0.63
February 11, 2014	2,125,000	0.32
April 20, 2014	250,000	0.30
April 20, 2014	250,000	0.60
March 23, 2015	1,100,000	0.18
April 21, 2015	130,000	0.23
September 27, 2015	1,160,000	0.18
Outstanding at December 31, 2011	6,420,000	0.35

(Expressed in U.S. Dollars)

8. Share capital (continued)

(c) Stock options (continued)

The fair value of stock options granted is credited to contributed surplus over the vesting period. Stock options that are exercised will be recorded as share capital and stock options that expire unexercised will remain in contributed surplus. All options outstanding at December 31, 2011 expire at various dates until September 27, 2015. In the year of 2011, the Company charged a stock based compensation expense of C$59,138 (December 31, 2010 - C$317,081), and capitalized C$26,347 ((December 31, 2010 – C$80,330).

The Company did not grant any stock options during 2011. The fair value of each option granted in 2010 was estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions at the measurement date:

	2011	**2010**
Risk-free interest rate	-	2.47%
Expected life	-	5.0 years
Estimated volatility in the market price of the common shares	-	189%
Dividend yield	-	Nil

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

(d) Capital stock offering

The private placement completed on August 12, 2011 consisted of 35,714,276 common share units ("Units") for total gross proceeds of C$2.5 million. The Company issued Units at a price of C$0.07 per Unit, with each Unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of C$0.11 per share for up to 24 months following the closing date. The Company has the right to accelerate the expiry date of the warrants if the closing price of the Company's common shares on the TSX Venture Exchange exceeds C$0.20 for 20 consecutive days on which the Company's shares trade.

The Company paid cash finder's fees totaling C$102,184 and issued 1,459,769 compensation options to finders in total. Each compensation option entitles the holder to purchase one common share of the Company at a price of C$0.11 per share for one year.

On December 15, 2011, the Company completed a private placement offering of Units for gross proceeds of C$900,000. The Company issued 11,250,000 Units at a price of C$0.08 per Unit, with each Unit consisting of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of C$0.12 per share for up to 24 months following the closing date.

8. Share capital (continued)

(d) Capital stock offering (continued)

The Company paid cash finder's fees totaling C$24,000 and issued 300,000 compensation options to finders in connection with the closing of the financing. Each compensation option entitles the holder to purchase one common share of the Company at a price of C$0.12 per share for one year.

Directors of the Company subscribed for 3,360,000 of the Units sold in the equity financing completed in August 2011 for proceeds of C$235,200 and subscribed for 3,750,000 Units sold in the equity financing completed in December 2011 for proceeds of C$300,000.

On February 1, 2010, the Company issued 4,535,600 common shares to Newmont USA Limited (Newmont) upon completion of the purchase by AGC, to acquire certain buildings and equipment from Newmont. The fair value of the common shares at the time that the purchase agreement was completed on February 1, 2010, was $750,538, net of share issue costs of $19,462.

The private placement completed in April, 2010 consisted of 14,916,100 common share units ("Units") for gross proceeds of C$2,386,576. Each Unit consisted of one common share of the Company and one share purchase warrant, with each warrant exercisable at C$0.25 per share for up to 24 months. The private placements completed in August and September, 2010 consisted of 34,375,000 common share units ("Units") for gross proceeds of C$5,500,000. Each Unit consisted of one common share of the Company and one half of one share purchase warrant, with each full warrant exercisable at C$0.25 per share for up to 24 months. In respect of both of these private placements, the Company can accelerate the expiry date of the warrants, if the market value of its common shares exceeds C$0.50 for twenty consecutive trading days. Directors of the Company subscribed for 825,000 of the Units issued in April and 1,565,000 the Units issued in August and September. Total share issue costs incurred during 2010 were C$987,622, and included C$527,726 in cash finders' fees and incurring C$246,775 from issuing 3,298,288 compensation warrants, exercisable at C$0.25 per common share of the Company for one year.

9. Convertible debenture and promissory notes

(a) Convertible debenture

On June 8, 2011, AGC completed the purchase of a portion of the mining property for $3,075,000. To assist in financing the purchase, the Company borrowed $3 million by way of a secured non-interest bearing loan (the Loan). The Loan was due in January 2012, and was replaced on December 14, 2011 by the issuance to the lender, Concept Capital Management Ltd. (CCM) of a 6% convertible debenture in the principal amount of C$3 million and warrants to purchase 30 million common shares of the Company, exercisable for five years at a price of C$0.11 per share, as well as a payment of $100,000 resulting from fluctuations in the U.S. and Canadian dollar exchange rate.

The debenture matures on December 15, 2016, bears interest of 6% per annum from July 11, 2011, and is convertible in whole or in part at the election of CCM 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 and, at the election of the Company, may be paid in cash or, subject to the approval of the TSX Venture Exchange (the Exchange), 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 Exchange for the 20 trading days ending five business days prior to the interest payment date or at such higher issue price as may be required by the policies of the Exchange. If and for so long as an event of default occurs, interest will be payable at the rate of 8.5% per annum.

9. Convertible debenture and promissory notes (continued)

(a) Convertible debenture (continued)
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 has provided a guarantee of the debenture, with recourse under the guarantee limited to a mortgage on the Property. The Company will not permit AGC to incur additional secured debt in excess of $10 million (subject to certain exceptions) without the prior consent of CCM, such consent not to be unreasonably withheld, conditioned or delayed.

After the first anniversary of the issue date, the Company will have the right to redeem all or part of the debenture if the closing price of the Company's common shares on the Exchange 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. On redemption, the Company will be required to pay the principal and accrued interest thereon, plus a redemption fee declining from 6%, to 4%, to 2% if redeemed before the second, third or fourth anniversaries, respectively, of the issue date. CCM 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 or merger transaction. 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 a consolidation, amalgamation or merger, of the continuing corporation or other entity resulting therefrom.

The convertible debenture contains certain embedded derivatives including, conversion options, early redemption options of the Company and a lender's put options. The principal face value was allocated as follows:
i) Warrants (30,000,000 units) valued at C$673,593 (see Note 8b) and value added on residual basis.
ii) Conversion options were valued at C$343,093 (net of tax of C$338,896) as of December 15, 2011 and classified as equity and the value added on residual basis.
iii) The host debt of C$1,184,541 was recorded as non-current liability at its initial fair value at the date of inception as of December 15, 2011 and subsequently measured at amortized costs as of December 31, 2011. The accretion interest was charged to statement of loss and comprehensive loss.
iv) The embedded derivative (i.e. combination of the borrower's redemption option and the lender's put option) of C$459,877 was recognized and presented as non-current liability in the statement of financial position. As of December 31, 2011 the change in fair value of the embedded derivative amounted to C$4,213.

Assumptions used for the valuation:

The convertible debt components were measured at fair value using the following methods:

The fair value of the convertible debenture and its conversion components were estimated by using a range of fair values based on the valuation of the convertible debenture, the convertible debenture without the conversion option, the call and put option, as well as an expectation of an upper and lower end of a credit spread and a fair value calculation using risk statistics for convertible bonds. The calculation included time varying call and put options as well as soft calls, forced conversion at maturity, cash payments on conversion and capped conversion price, using a function of finite difference methods.

9. Convertible debenture and promissory notes (continued)

(a) Convertible debenture (continued)
The inputs were as follows:

i) Historical stock price
ii) Volatility of the stock return adjusted to reflect the actual implied stock volatility
iii) Canadian dollar discount curve
iv) Bond discount curve
v) Outstanding number of shares of the Company

Considering the sensitivity and judgment involved in the bond valuation the estimated fair value of the embedded derivative of C$459,877 would change if there would be an increase of 10% in the credit spread by approximately C$4,000 and if there would be a decrease of 10% in the credit spread by approximately C$9,000.

Interest rates

The convertible debenture is subject to a 6% interest rate until maturity date and subsequently to 8.5% per annum.

(b) Promissory note
On August 4, 2011, Atlanta Gold Corporation financed the acquisition of land by a combination of cash, equity and a three year promissory note secured by a mortgage on the property in the amount of $425,000 bearing an interest of 7% per annum until its maturity in 2014. However if there is any amount overdue after the maturity day, the interest rate will increase to 10% per annum. The promissory note was carried at its initial fair value which was subsequently measured at its amortized cost as of December 31, 2011. The interest is payable on a monthly basis and was charged to the statement of loss and comprehensive loss.

10. Financial instruments

(a) Fair value

Fair value of financial instruments

The fair values of cash and cash equivalents, accounts payable and accrued liabilities approximate their carrying amounts due to their short-term maturity.

The fair value of the Company's convertible debenture embedded derivatives have been determined using present value method of the discounted cash flows relating to the underlying cash flows of the compound financial instruments.

The IFRS 7, Financial Instruments – Disclosures, requires for financial instruments that are measured subsequent to initial recognition at fair value, grouped in Levels 1 to 3, in the fair value hierarchy, based on the degree to which the fair value is observable. The three levels of the fair value hierarchy are:

Level 1 – inputs derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(Expressed in U.S. Dollars)

10. Financial instruments (continued)

(a) Fair value (continued)

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – fair value derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value for the embedded derivative classified as a Level 2, was derived using a discounted cash flow model that considers various observable inputs including time to maturity, interest rates and credit spreads.

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

As at December 31, 2011	Level 1	Level 2	Level 3
Marketable securities	$ 27,136	$ -	$ -
Derivative interest rate swap	-	(459,877)	-
	$ 27,136	$ (459,877)	$ -

As at December 31, 2010	Level 1	Level 2	Level 3
Marketable securities	$ 28,644	$ -	$ -
Derivative interest rate swap	-	-	-
	$ 28,644	$ -	$ -

There were no transfers between Level 1 and Level 2 in the year.

(b) Financial risk factors

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

Credit Risk
The Company's credit risk is primarily attributable to its cash and cash equivalents. This risk is minimized as its cash and cash equivalents have been placed with a reputable financial institution. Concentration of credit risk exists as a significant amount is held at one financial institution; however management believes the risk of loss to be remote. The maximum amount exposed is the amount of cash.

Liquidity Risk
The Company's approach to manage liquidity risk is to ensure it will have sufficient liquidity to meet obligations when due. As at December 31, 2011, the Company had a cash balance of $210,170 (2010 $2,779,772) to settle current liabilities of $1,170,176 (2010 $354,840) of which $200,000 is due in the latter half of 2012, and the majority of the remainder is due within 60 days and are subject to normal trade terms. The Company has various commitments, as detailed in note 10.

(Expressed in U.S. Dollars)

10. Financial instruments (continued)

(b) Financial risk factors (continued)

Liquidity Risk (continued)
The following table presents the contractual maturities of the Company's financial liabilities on an undiscounted basis:

	December 31, 2011			
	Less than 3 months	3 months to 1 year	2 to 5 years	Over 5 years
Trade and other payables	$1,170,176	$ -	$ -	$ -
Non-current liabilities:				
Convertible debt – host debt component	-	-	1,184,541	-
Convertible debt – embedded derivative	-	-	459,877	-
	$1,170,176	$ -	$1,644,418	$ -

	December 31, 2010			
	Less than 3 months	3 months to 1 year	2 to 5 years	Over 5 years
Current liabilities				
Trade and other payables	$ (204,840)	$ -	$ -	$ -
	$ (204,840)	$ -	$ -	$ -

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

(i) Foreign currency risk
Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. The rate published by the Bank of Canada at the close of December 31, 2010 was 1.0003 Canadian dollars to one U.S. dollar. Based on past gains and losses arising from foreign exchange transactions, future gains and losses are not expected to have a major impact on the Company's future earnings or losses.

10. Financial risks factors (continued)

(b) Financial risk factors (continued)

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

(iii) Interest rate risk
The Company has a cash balance currently deposited in a major Canadian and American bank, and has no long term debt. At this point, the Company's exposure to interest rate risk is minimal.

Sensitivity analysis
As of December 31, 2011, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent, other than for marketable securities. The Company believes the following movements are reasonably possible over a twelve-month period:

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

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

11. Loss per share

Basic loss per share
The calculation of basic loss per share at December 31, 2011 was based on the loss attributable to common shareholders of $1,592,503 (2010 – loss of $1,626,563), and a weighted average number of common shares outstanding of 161,045,779 (2010 - 115,310,348).

Diluted loss per share
Stock options and warrants have not been included in the calculation of diluted loss per share for the years ended December 31, 2011 and December 31, 2010, as they are anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options and warrants was based on quoted market prices for the period during which the options were outstanding.

12. Related party transactions

The remuneration of certain management personnel for the year ended December 31, 2011 was $478,508 (2010 - $386,836). Accounts payable and accrued liabilities include $5,200 (2010 - $10,678) owing to various directors, officers of the Company. Additionally, certain directors and officers subscribed for 7,110,000 Units (2010 - 2,390,000 Units) in private placements completed in 2011 for an aggregate subscription price of C$535,200 (2010 - C$382,400). Share-based compensation paid to directors and officers of $43,801 (2010 -$143,587) was included in the statements of loss and comprehensive loss and $17,997 (2010 - $55,513) was included in exploration and evaluation assets. All transactions with related parties are in the normal course of business and are measured at the fair value.

13. Commitments and contingencies

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 pilot water treatment facility ("PWTF") and water discharged into Montezuma Creek from property which the Company leases from the Bureau of Land Management.

On January 9, 2012 the Court granted a 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 will be considered at the next stage of the Court proceedings. The Company believes that the Court will recognize AGC's past and continuing efforts to remove arsenic. AGC's plans for further improvement will be taken into account in the next stage of proceedings in which the Court will determine a penalty, if any, for the non-compliance. From operating the PWTF, AGC has gathered important scientific data to commit to environmental compliance for future planned operations.

The Company records the asset retirement obligation relating to the reclamation of the property in Nunavut in value of $200,000 (2010: $150,000). The amount of the obligation is the best estimate of the costs expected to fulfill the obligation resulting from the conditions of the permit.

The Company and AGC entered into a gold option contract with Concept Capital Management Ltd (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.

14. Capital management

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

14. Capital management (continued)

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

Management reviews its capital management approach on an ongoing basis and believes this approach, given the Company's size, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2011.

15. Subsequent events

On April 18, 2011 the Idaho Conservation League ("ICL") and the Northwest Environmental Defense Center ("NEDC") 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 and seeking declaratory and injunctive relief as well as civil penalties.

On January 9, 2012, the U.S. District Court for the State of Idaho granted a motion for partial summary judgment sought by ICL and NEDC against AGC. The action was brought by ICL and NEDC in April 2011 alleging violations of the United States Federal Water Pollution Control Act with respect to the operation by AGC of the pilot water treatment facility ("PWTF") located at the historic 900 level adit ("the Adit") and water discharged into Montezuma Creek from property owned by the Bureau of Land Management and administered by the United States Forest Service.

The Order granted by the Court is not determinative of a penalty, if any, that AGC may be required to pay. The determination of any penalty would be the subject of further Court proceedings and it is not currently possible to determine the likely outcome of such proceedings.

AGC commenced negotiations with the US authorities to remediate the environmental matter noted above. AGC estimates costs to address the matter by realignment of Montezuma Creek and by expanding existing settlement ponds to be $350,000.