



ATLANTA GOLD INC.

Atlanta Gold Inc.

Consolidated Financial Statements

December 31, 2012

(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, Chartered Accountants, Licensed Public Accountants, have audited these consolidated financial statements and their report follows.

"Ernie Simmons "
Wm. Ernest (Ernie) Simmons
Director & President & CEO

"Bill Baird"
William J. C. Baird
Director & Vice-President & CFO

Toronto, Ontario, Canada
April 18, 2013



Independent Auditor's Report

To the Shareholders of Atlanta Gold Inc.

We have audited the accompanying consolidated financial statements of Atlanta Gold Inc. which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity and cash flow for the years then ended, 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 audit 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atlanta Gold Inc. as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years then ended in accordance with IFRS.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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.'s ability to continue as a going concern.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario, Canada
April 18, 2013

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

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 52,720	\$ 210,170
Marketable securities	-	27,136
Recoverable taxes	27,338	58,649
Prepaid expenses	61,133	69,199
	141,191	365,154
Exploration and evaluation assets (note 4)	43,167,861	40,126,393
Property, plant and equipment (note 5)	1,440,622	1,945,708
	\$ 44,749,674	\$ 42,437,255
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,099,849	\$ 1,170,176
Shareholders' loans (note 11)	110,255	-
Rehabilitation provisions (note 12)	523,839	-
	3,733,943	1,170,176
Non-current liabilities		
Rehabilitation provisions (note 12)	1,472,650	200,000
Promissory note (note 7(b))	424,753	424,860
Convertible debenture (note 7(a))	1,675,659	1,644,418
	7,307,005	3,439,454
EQUITY		
Capital stock (note 8(d))	89,170,747	86,804,439
Warrants (note 8(b))	2,245,469	4,347,039
Contributed surplus (note 8(c))	8,814,335	6,890,332
Accumulated deficit	(62,751,079)	(59,044,009)
Accumulated other comprehensive loss	(36,803)	-
	37,442,669	38,997,801
	\$ 44,749,674	\$ 42,437,255

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

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, 2012 and 2011

	2012	2011
General and administrative expenses:		
Professional fees	\$ 579,736	\$ 594,038
Salaries and management fees (note 11)	369,835	478,508
Administrative and office	135,142	158,141
Investor relations	203,276	372,039
Share-based compensation (note 8(c) and 11)	13,333	59,138
Travel and accommodation	9,147	26,172
Loss from foreign currency transactions	4,998	103,763
	1,315,467	1,791,799
Penalty, attorney fees and litigation costs	2,258,579	-
Decommissioning provisions (note 12)	100,000	50,000
Exploration and evaluation expense	4,103	4,378
	3,678,149	1,846,177
Finance items:		
Finance income	-	(2,968)
Finance costs	231,270	86,682
Gain on sale of marketable securities	(4,537)	-
Unrealized loss on marketable securities	-	1,508
Accretion of convertible debenture (note 7(a))	101,769	-
	328,502	85,222
Deferred income tax provision (recovery)	(299,581)	(338,896)
Net loss	3,707,070	1,592,503
Other comprehensive loss		
Foreign currency translation adjustment	36,803	-
Net loss and comprehensive loss for the year	\$ 3,743,873	\$ 1,592,503
Weighted average number of consolidated shares outstanding	207,737,300	161,045,779
Net loss per share - basic and diluted (note 10)	\$ 0.02	\$ 0.01

Nature of 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)
Consolidated Statements of Cash Flow
(Expressed in U.S. Dollars)
Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in)		
Operating activities:		
Net loss for the year	\$ (3,707,070)	\$ (1,592,503)
Add (deduct) items not involving cash:		
Rehabilitation provisions	100,000	50,000
Deferred income tax (recovery)	(299,581)	(338,896)
Finance costs paid by issuance of shares	30,676	-
Share-based compensation (note 8(c) and 11)	13,333	59,138
Gain on sale of marketable securities	(4,537)	-
Unrealized loss on available-for-sale marketable securities	-	1,508
Unrealized foreign exchange	(31,410)	-
Accretion of convertible debenture (7(a))	101,769	-
Net change in non-cash working capital	2,577,421	1,046,096
Net cash used in operating activities	(1,219,399)	(774,657)
Financing activities:		
Repayment of promissory note	(107)	-
Loans from shareholders	975,560	-
Issuance of common shares net of issuance costs	1,193,464	2,935,751
Net cash from financing activities	2,168,917	2,935,751
Investing activities:		
Sale of marketable securities	31,831	-
Exploration and evaluation asset	(983,825)	(4,386,875)
Property, plant and equipment	(154,974)	(343,821)
Net cash used in investing activities	(1,106,968)	(4,730,696)
Decrease in cash and cash equivalents	(157,450)	(2,569,602)
Cash and cash equivalents, beginning of year	210,170	2,779,772
Cash and cash equivalents, end of year	\$ 52,720	\$ 210,170
Net change in non-cash working capital items		
Recoverable taxes	\$ 31,311	\$ 44,288
Prepaid expenses	8,066	36,471
Accounts payable and accrued liabilities	2,538,044	965,337
	\$ 2,577,421	\$ 1,046,096

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

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Cash Flow (Continued)
(Expressed in U.S. Dollars)
Years ended December 31, 2012 and 2011

	2012	2011
Significant non-cash financing and investing activities		
Capitalized stock-based compensation (note 8(c) and 11)	\$ 5,764	\$ 26,347
Capitalized depreciation (note 5)	366,973	403,506
Shares issued to pay finance costs (note 8(d))	195,280	-
Shares issued to settle trade payables and loans from shareholders (note 8(d))	907,989	-
Shares issued in satisfaction of debenture interest (note 8(d))	261,016	-
Disposal of property, plant and equipment to settle accounts payables	304,671	-
Disposal of property, plant and equipment to exchange for materials	8,500	-
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
Proceeds from share issuance to purchase property, plant and equipment	-	335,000

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

(Expressed in U.S. Dollars, except for shares and per share amounts)

For the years ended December 31, 2012 and 2011

	Number of Shares	Share Capital (note 8(a)(d))	Warrants (note 8(b))	Contributed Surplus (note 8(c))	Accumulated Deficit	Accumulated other comprehensive loss	Total
Balance - January 1, 2011	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.

ATLANTA GOLD INC.

(An exploration stage company)

Consolidated Statements of Changes in Equity (Continued)

(Expressed in U.S. Dollars, except for shares and per share amounts)

For the years ended December 31, 2012 and 2011

	Number of Shares	Share Capital (note 8(a)(d))	Warrants (note 8(b))	Contributed Surplus (note 8(c))	Accumulated Deficit	Accumulated other comprehensive loss	Total
Balance - January 1, 2012	193,890,039	\$ 86,804,439	\$ 4,347,039	\$ 6,890,332	\$(59,044,009)	\$ -	\$ 38,997,801
Shares issued to pay finance costs (note 8(d))	4,000,000	195,280	-	-	-	-	195,280
Shares issued to settle trade payables and loans from shareholders - at C\$0.05 per common share unit, net of share issue costs (note 8(d))	16,335,909	824,605	-	-	-	-	824,605
Shares issued for cash - at C\$0.03 per common share unit, net of share issue costs (note 8(d))	16,666,666	358,709	106,315	-	-	-	465,024
Shares issued for cash - at C\$0.05 per common share unit, net of share issue costs (note 8(d))	17,400,000	728,486	86,973	-	-	-	815,459
Shares issued in satisfaction of debenture Interest - at C\$0.05 per common share unit, net of share issue costs (note 8(d))	5,148,951	259,228	-	-	-	-	259,228
Stock-based compensation (note 8(c))	-	-	-	19,099	-	-	19,099
Warrants expiring unexercised (note 8(b))	-	-	(2,249,951)	1,950,370	-	-	(299,581)
Finance costs paid by issuance of shares allocated to warrants and conversion option	-	-	(44,907)	(45,466)	-	-	(90,373)
Net loss and comprehensive loss for the year	-	-	-	-	(3,707,070)	-	(3,707,070)
Foreign currency translation adjustment	-	-	-	-	-	(36,803)	(36,803)
Balance - December 31, 2012	253,441,565	\$ 89,170,747	\$ 2,245,469	\$ 8,814,335	\$(62,751,079)	(36,803)	\$ 37,442,669

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

ATLANTA GOLD INC.
(An exploration stage company)
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
For the years ended December 31, 2012 and 2011

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. As at December 31, 2012, the Company had no source of operating cash flows and reported a net loss for the year then ended of \$3,707,070 and deficit of \$62,751,079. The Company's current liabilities exceeded its current assets by \$3,592,752 as of December 31, 2012. These conditions indicate the existence of material uncertainty 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 immediate financing to complete its planned exploration and development program on Atlanta, and will continue to explore financing alternatives to raise capital. 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 or that the Company will achieve profitable operation.

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 if the going concern assumption was deemed inappropriate. These adjustments could be material.

ATLANTA GOLD INC.
(An exploration stage company)
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
For the years ended December 31, 2012 and 2011

2. Basis of preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Handbook of the Canadian Institute of Chartered Accountants. The consolidated financial statements have been prepared under the historical cost method, except for certain financial instruments measured at fair value.

The significant accounting policies and methods adopted set out in note 3 have been applied to all periods presented in these consolidated financial statements. Significant accounting judgements and estimation uncertainties used by management in the preparation of these consolidated financial statements are presented in note 3.

These consolidated financial statements were approved by the board of directors for issue on April 18, 2013.

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 to all periods presented in these consolidated financial statements.

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.

Functional currency

The functional currency of the parent Company is Canadian dollars and AGC's functional currency 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.

ATLANTA GOLD INC.
(An exploration stage company)
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
For the years ended December 31, 2012 and 2011

3. Significant accounting policies (continued)

Functional currency (continued)

All financial information is presented in USD unless otherwise stated.

- (i) **Presentation currency**
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). Equity balances have been translated at historical rates. 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 period 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.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position 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:

ATLANTA GOLD INC.
(An exploration stage company)
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
For the years ended December 31, 2012 and 2011

3. Significant accounting policies (continued)

Financial instruments (continued)

- (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, financial liabilities 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.

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

ATLANTA GOLD INC.
(An exploration stage company)
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
For the years ended December 31, 2012 and 2011

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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.

ATLANTA GOLD INC.
(An exploration stage company)
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
For the years ended December 31, 2012 and 2011

3. Significant accounting policies (continued)

Current and deferred income tax (continued)

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.

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.

ATLANTA GOLD INC.
(An exploration stage company)
Notes to Consolidated Financial Statements
(Expressed in U.S. Dollars)
For the years ended December 31, 2012 and 2011

3. Significant accounting policies (continued)

Rehabilitation provisions

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.

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 derecognition 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

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3. Significant accounting policies (continued)

Accounting standards issued but not yet applied (continued)

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.

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 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.

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3. Significant accounting policies (continued)

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
Exploration and evaluation 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 overrun 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, 2012 the Company determined that there were no indicators of impairment in carrying values of mining properties or any other long lived assets or cash generating units (CGU).

- (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 estimated lives of the individual assets. Amortization commences when assets are available for use. Land is not amortized.
The assets useful lives and methods of amortization are reviewed and adjusted if appropriate on an annual basis.
- (iii) Calculation of share-based compensation expense
The amount expensed for stock-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 stock-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.

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3. Significant accounting policies (continued)

Significant accounting judgments and estimation uncertainties (continued)

- (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 7(a))

4. Exploration and evaluation assets

	Exploration and Evaluation Assets
At January 1, 2011:	\$ 32,309,665
Additions	7,816,728
Year ended at December 31, 2011	40,126,393
Additions	3,041,468
Year ended at December 31, 2012	\$ 43,167,861

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.

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4. 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.

(a) 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 in note 7(a).

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 \$665 per ounce. As at December 31, 2012, advance royalty payments of \$1,500,000 had been paid by AGC to Monarch and will be deducted from future royalty payments to Monarch.

(b) Hill & Davis

The Hill & Davis patented mining claim was purchased for \$139,500 in five annual payments, with the final payment being made in December 2010.

(c) 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, 2012, advance royalty payments of \$188,500 (December 31, 2011 - \$178,500) have been made and will be deducted from any future royalty payments to F. Gardner.

(d) Hollenbeck Properties LLC

AGC leases 9 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease expires on November 14, 2013 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, 2012, advance royalty payments of \$302,500 (December 31, 2011 - \$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, 2012, advance royalty payments totaling \$1,991,000 will be deducted from any future royalty payments to lessors / royalty holders.

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5. **Property, plant and equipment**

	Land	Building, Field Equipment and Others	Total
At January 1, 2011:			
Cost	\$ -	\$ 2,371,471	\$ 2,371,471
Accumulated depreciation	-	(1,125,938)	(1,125,938)
Opening Net Book Value at January 1, 2011	-	1,245,533	1,245,533
Year ended December 31, 2011:			
Opening Net Book Value at January 1, 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 January 1, 2012:			
Cost	\$ 869,804	\$ 2,605,348	\$ 3,475,152
Accumulated depreciation	-	(1,529,444)	(1,529,444)
Opening Net Book Value at January 1, 2012	869,804	1,075,904	1,945,708
Year ended December 31, 2012:			
Opening Net Book Value at January 1, 2012	869,804	1,075,904	1,945,708
Additions	29,761	156,715	186,476
Disposals	(95,464)	(229,125)	(324,589)
Depreciation	-	(366,973)	(366,973)
Closing Net Book Value at December 31, 2012	\$ 804,101	\$ 636,521	\$ 1,440,622
At December 31, 2012:			
Cost	\$ 804,101	\$ 2,532,938	\$ 3,337,039
Accumulated depreciation	-	(1,896,417)	(1,896,417)
Closing Net Book Value at December 31, 2012	\$ 804,101	\$ 636,521	\$ 1,440,622

All depreciation charges during the year ended December 31, 2012 and 2011 were included in exploration and evaluation assets.

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6. 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, 2012	December 31, 2011
Computed income tax at Canadian statutory tax rates	\$ (1,066,771)	\$ (545,621)
Permanent differences	939,485	95,923
Share issue costs	18,479	(26,047)
Other	(190,774)	136,849
Income tax (recovery)	\$ (299,581)	\$ (338,896)

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.5% to 15% and effective July 1, 2012, the Ontario provincial tax rate decreased from 11.75% to 11.5%. The overall reduction in tax rates has resulted in a decrease in the Company's statutory tax rate from 28.25% to 26.63%.

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, 2012	December 31, 2011
Deferred income tax assets		
Property, plant and equipment	\$ 39,956	\$ 3,203
Non-capital loss carry forwards	2,128,560	1,085,983
Total deferred income tax assets	2,168,516	1,089,186
Deferred income tax liabilities		
Marketable securities	-	(3,203)
Convertible debenture	(353,203)	(338,896)
Exploration and evaluation assets	(1,815,313)	(747,087)
Total deferred income tax liabilities	(2,168,516)	(1,089,186)
Net deferred tax	\$ -	\$ -

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6. 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 \$22,893,942 as at December 31, 2012 (December 31, 2011 - \$24,474,495) 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	2,016,811
2009	2029	1,492,863
2010	2030	1,375,788
2011	2031	1,814,346
2012	2032	605,277
Non-Capital Losses		C\$12,322,452

The Company has capital losses of C\$1,980,316 which can be carried forward indefinitely.

AGC has U.S. loss carry-forwards of approximately \$4,445,060 expiring between 2013 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.

7. Convertible debenture and promissory note

a) Convertible debenture

On June 8, 2011, AGC completed the purchase of a portion of the Monarch Property (the "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 C\$100,000 resulting from fluctuations in the U.S. - Canadian dollar exchange rate.

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7. Convertible debenture and promissory note (continued)

a) Convertible debenture (continued)

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 closing price 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.

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 C\$0.35 (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 Company and AGC entered into a gold option contract with CCM. AGC granted to CCM an option to purchase an aggregate of 4,000 troy ounces of gold produced from the Atlanta Project at a price of \$1,400 per troy ounce. 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.

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 8(b)) 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, 2012. The accretion interest was charged to statement of loss and comprehensive loss.

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7. Convertible debenture and promissory note (continued)

a) Convertible debenture (continued)

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, 2012 the fair value of the embedded derivative is C\$453,617 (December 31, 2011 - C\$459,877).

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.

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 judgement involved in the bond valuation the estimate fair value of the embedded derivative of \$453,617 would change if there would be an increase of 10% in the credit spread by approximately \$4,000 and if there would be a decrease of 10% in the credit spread by approximately \$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 interest of 7% per annum until its maturity in 2014, with unpaid amounts following the maturity date bearing interest of 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, 2012. Interest is payable on a monthly basis and is capitalized as property, plant and equipment.

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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.

(b) Warrants

The following table summarizes the warrant transactions as follows:

	Number of Shares	FMV of Warrants at Date of Issue U\$	Weighted Average Exercise Price C\$
Outstanding as at January 1, 2011	39,739,888	2,651,674	0.25
Warrants issued on issuance of shares for cash	41,339,276	1,386,978	0.11
Compensation warrants issued on issuance of shares for cash	1,759,769	95,050	0.11
Warrants issued with the convertible debenture	30,000,000	673,593	0.11
Warrants expired	(7,636,288)	(460,256)	0.25
Outstanding as at December 31, 2011	105,202,645	4,347,039	0.15
Warrants issued on issuance of shares for cash (note 8(d))	25,733,333	190,717	0.08
Compensation warrants issued on issuance of shares for cash (note 8(d))	1,256,266	2,571	0.10
Finance costs paid by issuance of shares allocated to warrants	-	(44,907)	0.11
Warrants expired	(33,863,369)	(2,249,951)	0.24
Outstanding as at December 31, 2012	98,328,875	2,245,469	0.10

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 the year ended December 31, 2012, 33,863,369 warrants issued in 2010 and 2011, and having a fair value at date of grant of \$2,249,951 expired unexercised. The weighted average exercise price of the warrants issued during 2012 was C\$0.08, and the weighted average exercise price of the warrants issued and outstanding on December 31, 2012 was C\$0.10. During 2011, 7,636,288 warrants issued in 2009 and 2010, and having a fair value at date of grant of \$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. 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.

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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:

	2012	2011
Risk-free interest rate	1.22% to 1.31%	0.85% to 1.48%
Expected life	1 to 2 years	1 to 5 years
Estimated volatility in the market price of the common shares	83% to 90%	73% to 83%
Dividend yield	Nil	Nil

(c) Stock options

The Stock Option Plan - 2008 (the "Plan") was adopted by the Board in February 2008, initially approved by shareholders in April 2008, and reapproved by shareholders on an annual basis.

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 5% 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 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:

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8. Share capital (continued)

(c) Stock options (continued)

	Number of Shares	Weighted Average Exercise Price C\$
Outstanding as at January 1, 2011	6,686,667	0.36
Options expired or cancelled	(266,667)	0.77
Outstanding as at December 31, 2011	6,420,000	0.35
Options granted	360,000	0.12
Options expired or cancelled	(1,345,000)	0.21
Outstanding as at December 31, 2012	5,435,000	0.36
Exercisable at December 31, 2012	5,165,000	0.38

5,165,000 of the stock options outstanding as at December 31, 2012, having a weighted average price of C\$0.38 per share are exercisable immediately. Of the remaining 270,000 stock options, 90,000 will vest on March 19, 2013, 90,000 will vest on June 19, 2013 and 90,000 will vest on September 19, 2013. All stock options expire between March 2013 and September 2015. During the year ended December 31, 2012, 1,345,000 (December 31, 2011 – 266,667) stock options granted to consultants and employees were cancelled due to the termination of their agreements. 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 16 months (December 31, 2011 – 29 months).

Expiry Date	Number of Stock Options	Exercise Price C\$
March 1, 2013	1,330,000	0.63
February 11, 2014	2,050,000	0.32
April 20, 2014	250,000	0.30
April 20, 2014	250,000	0.60
April 21, 2015	110,000	0.23
December 19, 2014	360,000	0.12
September 27, 2015	1,085,000	0.18
Outstanding at December 31, 2012	5,435,000	0.36

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, 2012 expire at various dates until September 27, 2015. During the year ended December 31, 2012, the Company charged a stock based compensation expense of \$13,333 (December 31, 2011 - \$59,138), and capitalized \$5,764 (December 31, 2011 - \$26,347).

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8. Share capital (continued)

(c) Stock options (continued)

During the year ended December 31, 2012, the Company granted a total of 360,000 stock options, of which 90,000 vested immediately upon granting and the remaining 270,000 options will vest in three equal quarterly installments and have a two-year term. The Company did not grant any stock options in 2011.

The fair value of each option granted in 2012 was estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions at the measurement date:

	2012
Risk-free interest rate	1.28%
Expected life	2.0 years
Estimated volatility in the market price of the common shares	90.3%
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 estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(d) Capital stock offering

On May 23, 2012, the Company issued 4,000,000 common shares to settle a finder's fee of C\$200,000 (\$195,280) incurred in connection with the issuance by the Company of the C\$3 million convertible debenture to CCM as described in note 7(a).

On September 6, 2012 the Company issued 16,335,909 common shares at a deemed price of C\$0.05 per share in satisfaction of approximately C\$816,795 of outstanding indebtedness which consisted of trade payables and loans from shareholders, including approximately C\$662,448 owed to three insiders of the Company in respect of loans payable to shareholders.

On October 2, 2012 the Company issued 16,666,666 Units at a price of C\$0.03 per Unit, with each Unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable for a period of up to 24 months from closing of the offering and will entitle the holder to purchase one additional common share at \$0.05 for the initial 12 months from closing and at \$0.10 per share thereafter. 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 \$0.15 for 20 consecutive days on which the Company's shares trade. The Company paid a finder's fee of C\$20,000 and issued 666,666 compensation options, with each compensation option entitling the holder to purchase one common share at a price of C\$0.10 per share for one year.

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8. Share capital (continued)

(d) Capital stock offering (continued)

On December 14, 2012 the Company issued 5,148,951 common shares at a deemed price of C\$0.05 per share pursuant to the terms of the Company's outstanding C\$3 million 6% convertible debenture, in satisfaction of approximately \$261,016 (C\$257,448) of interest. (note 7(a))

On November 9 and December 19, 2012 the Company completed private placements issuing an aggregate of 17,400,000 common share Units for total gross proceeds of C\$870,000. The Company issued Units at a price of C\$0.05 per Unit, with each Unit consisting of one common share and one common share purchase warrant. Each warrant is exercisable for a period of 24 months from closing of the offering and will entitle the holder to purchase one additional common share at C\$0.10 for the initial 12 months from closing and at C\$0.15 per share thereafter. 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 \$0.20 for 20 consecutive days on which the Company's shares trade. The Company paid cash finder's fees of C\$29,480 and issued 589,600 compensation warrants in connection with the placement. Each compensation warrant entitles the holder to purchase one common share of the Company at a price of C\$0.10 per share for one year. Net proceeds from the offering were used to reduce indebtedness and for general working capital purposes.

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.

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.

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9. 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;

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, 2012	Level 1	Level 2	Level 3
Marketable securities	\$ -	\$ -	\$ -
Convertible debenture - embedded derivatives	-	(455,930)	-
	\$ -	\$ (455,930)	\$ -
As at December 31, 2011	Level 1	Level 2	Level 3
Marketable securities	\$ 27,136	\$ -	\$ -
Convertible debenture - embedded derivatives	-	(459,877)	-
	\$ 27,136	\$ (459,877)	\$ -

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

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9. Financial instruments (continued)

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, 2012, the Company had a cash balance of \$52,720 (December 31, 2011 - \$210,170) to settle current liabilities of \$3,210,104 (December 31, 2011 - \$1,170,176). The Company has various commitments, as detailed in note 13.

The following table presents the contractual maturities of the Company's financial liabilities on an undiscounted basis:

	December 31, 2012			
	Less than 3 months	3 months to 1 year	2 to 5 years	Over 5 years
Current liabilities				
Accounts payable and accrued liabilities	\$ 901,270	\$2,198,579	\$ -	\$ -
Shareholders' loans	-	110,255	-	-
Non-current liabilities:				
Convertible debt – host debt component	-	-	1,219,729	-
Convertible debt – embedded derivatives	-	-	455,930	-
	\$ 901,270	\$2,308,834	\$1,675,659	\$ -

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9. Financial instruments (continued)

b) Financial risk factors (continued)

Liquidity Risk (continued)

	December 31, 2011			
	Less than 3 months	3 months to 1 year	2 to 5 years	Over 5 years
Current liabilities				
Accounts payable and accrued liabilities	\$1,170,176	\$ -	\$ -	\$ -
Non-current liabilities				
Convertible debt - host debt component	-	-	1,184,541	-
Convertible debt - embedded derivative	-	-	459,877	-
	\$1,170,176	\$2,198,579	\$1,644,418	\$ -

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, 2012 was 0.9949 Canadian dollars to one U.S. dollar. Based on past gains and losses arising from foreign exchange transactions, future gains and losses are not expected to have a major impact on the Company's future earnings or losses.

(ii) Commodity prices risk

Since the Company is not 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.

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9. Financial risks factors (continued)

b) Financial risk factors (continued)

Sensitivity analysis

As of December 31, 2012, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent. The Company believes the following movements are reasonably possible over a twelve-month period:

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

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

10. Loss per share

Basic loss per share

The calculation of basic loss per share for the year ended December 31, 2012 was based on the loss attributable to common shareholders of \$3,707,070 (2011 – loss of \$1,592,503), and a weighted average number of common shares outstanding of 207,737,300 (2011 - 161,045,779).

Diluted loss per share

Stock options and warrants have not been included in the calculation of diluted loss per share for the year ended December 31, 2012 and 2011, 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.

11. Related party transactions

The remuneration of key management personnel during the year ended December 31, 2012 was \$493,796 (2011 - \$478,508). Shareholders' loans of \$110,255 (December 31, 2011 - \$5,200) were payable to various directors, officers and shareholders of the Company. \$13,333 of stock-based compensation paid to directors and officers was recorded in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2012 (2011 - \$59,138) and \$5,764 was included in exploration and evaluation assets as at December 31, 2012 (2011 - \$26,347). All transactions with related parties are in the normal course of business and are measured at fair value.

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12. Rehabilitation provisions

The total future costs to reclaim exploration and evaluation assets are estimated by management based on the Company's ownership interest in Atlanta Gold Property and the diamond properties located on Baffin Island and the estimated timing of the costs to be incurred in future periods. The following table reconciles the change in decommissioning obligations:

	Baffin Island Property	Atlanta Gold Property	Total
Balance as at January 1, 2011	\$ 150,000	\$ -	\$ 150,000
Change during the year	50,000	-	50,000
Balance as at December 31, 2011	\$ 200,000	\$ -	\$ 200,000
Current	\$ -	\$ -	\$ -
Long-term	\$ 200,000	\$ -	\$ 200,000
Balance as at January 1, 2012	\$ 200,000	\$ -	\$ 200,000
Change during the year	100,000	1,696,489	1,796,489
Balance as at December 31, 2012	\$ 300,000	\$ 1,696,489	\$ 1,996,489
Current	\$ -	\$ 523,839	\$ 523,839
Long-term	\$ 300,000	\$ 1,172,650	\$ 1,472,650

13. Commitments and contingencies

The Company records rehabilitation provisions of \$1,472,650 (December 31, 2011 - \$200,000) relating to reclamation of the properties in the United States and Canada. This amount represents the Company's best estimate of the costs expected to fulfill the obligation resulting from the conditions of the permit.

On July 19, 2012 the U.S. District Court for the State of Idaho (the "Court") issued a Memorandum Decision (the "Decision") in a case in which the Company's wholly owned subsidiary, Atlanta Gold Corporation ("AGC") is a party, pertaining to AGC's non-compliance with the United States Federal Water Pollution Control Act ("Clean Water Act"). The Court imposed a penalty in the amount of \$2,000,000 to be paid on or before October 31, 2012. In addition, the Decision, as subsequently amended, orders AGC to implement measures to come into compliance with the National Pollutant Discharge Elimination System ("NPDES") Permit by December 15, 2012.

On November 28, 2012 the Court granted AGC an extension to pay the penalty by April 30, 2013. The outstanding penalty will bear interest at approximately 10% per annum until it is paid in full and it is included as part of accounts payable and accrued liabilities.

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13. Commitments and contingencies (continued)

On November 12, 2012, AGC reached a settlement agreement with the Idaho Conservation League and the Northwest Environmental Defense Center, two environmental groups, in respect of reimbursement of their attorney fees and litigation costs incurred in their legal action against AGC. The total costs is \$240,000. AGC paid the first installment in the amount of \$60,000 on December 15, 2012 and will pay a total of \$180,000 in three equal payments to them beginning on April 15, 2013 and ending on October 15, 2013.

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.

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, 2012.

Management Discussion and Analysis

This discussion and analysis of financial position and results of operations of Atlanta Gold Inc. (the "Company") and its subsidiary for the years ended December 31, 2012 and 2011 has been prepared as of April 18, 2013.

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, 2012 and 2011. The Company prepares and files its financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

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, in each case unless otherwise indicated.

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 the Atlanta Project following the completion of additional exploration; the economic and environmental benefits arising from, and the effectiveness of modifications to be made to, the gold extraction process being tested by the Company; the completion of additional bulk samples and test processing and the timing thereof; the development of a gold mine and potential commercial gold production levels at Atlanta and the timing thereof; the completion of the ongoing financing and future financings and the use of proceeds therefrom; the continuance and enhancement of environmental initiatives, including the implementation of the Supplemental Plan of Operations; the effectiveness of the passive water treatment system; 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 comply with the order of the Court against the Company's subsidiary, Atlanta Gold Corporation, including the payment of the \$2 million penalty and any other penalties or sanctions which may be imposed, to fully implement the Supplemental Plan of Operations, to achieve its business objectives and to continue as a going concern; risks associated with the mining industry (including operating risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; uncertainties relating to the interpretation of the geology, continuity, grade and size estimates of the mineral resource; the uncertainty of estimates and projections in relation to production, costs and expenses); the uncertainty surrounding the ability of the Company to obtain and the expected time to obtain all permits, consents or authorizations required for its operations and activities; and health, safety and environmental risks, 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 exploration, development, permitting and pre-production activities, the level and volatility of the price of gold, the accuracy of reserve and resource estimates (including with respect to size, grade and recoverability) and the geological, operating and price assumptions on which they are based, the ability to achieve capital and operating cost estimates, 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 Project**"), an advanced-stage gold property near Atlanta, Idaho, U.S.A, through the Company's wholly-owned subsidiary, Atlanta Gold Corporation ("**AGC**").

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

The change in strategy required almost a complete restart of the resource definition. Over the last four years the Company has outlined 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.

The Company expects that significant economic and environmental benefits will be realized from using a pilot processing method which is currently being used by Knife River Corporation (“**Knife River**”) at the Gold Hill Mine which is located approximately 50 miles from the Atlanta Project. This type of processing facility will allow the Company to advance the Project while reducing capital investment and reducing power consumption and other operating costs associated with a conventional mill. In addition, this is an environmentally friendly method which uses and recycles water, eliminates water discharge and collects and concentrates all heavy metals. The Company continues to evaluate and is proposing to use various improved technologies to minimize the surface disturbance and reduce the projected environmental impact of the Atlanta Project as the Company moves forward to production.

On January 29, 2013 Wm. Ernest Simmons, was appointed President and CEO of AGC to facilitate the transition of the Atlanta Gold project from exploration through ongoing development.

In February 2013, AGC selected a Steering Committee to advise on and facilitate the transition of the Atlanta Project through exploration and development. The Company expects that it will benefit significantly from the experience and expertise of each committee member. The Steering Committee’s breadth and depth of experience in gold exploration and development, construction, public relations, legal, transportation, distribution and processing represents a significant step forward in the Company’s strategic capabilities.

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 opt (3.32 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:

Area	Tons (000's)	GOLD				SILVER				TOTAL EQUIVALENT OUNCES OF GOLD (000's)
		Cut-Off Grade Au (opt)	Grade		Ounces of Gold (000's)	Grade		Ounces of Silver (000's)	Ounces of Silver as Gold Equivalent (000's)	
			Ounces Per Ton Au	Grams Per Tonne Au		Ounces Per Ton Ag	Grams Per Tonne Ag			
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 the above table were estimated using the CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions.
4. Gold equivalent (“AuEq”) was calculated such that one ounce of Au = 50.35 ounces Ag. Metal prices used were the January 31, 2012 two-year trailing average for Au at \$1,419/oz and Ag at \$28.18/oz with respective mill recoveries of 83% for gold and 88% for silver. Prevailing metal prices at January 31, 2012 were \$1,744.00 per ounce of gold and \$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 (000s)	GOLD			SILVER			GOLD EQUIVALENT		
	Au (opt)	Au (gpt)		Grade		Ounces of Gold (000s)	Grade		Ounces of Silver (000s)	Grade		Equivalent Ounces of Gold (000s)
				Ounces Per Ton Au	Grams Per Tonne Au		Ounces Per Ton Ag	Grams Per Tonne Ag		Ounces Per Ton AuEq	Grams Per Tonne AuEq	
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

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 the Atlanta Project 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:

The Company holds a 60% ownership interest in 27 claims comprising the Normar portion of the Abitibi property and a 2% net smelter return royalty on the 18 claims comprising the Malartic portion of the property in which Niogold Mining Corp. holds a 60% ownership interest. The Company relinquished in the third quarter of 2012 the Mouskor group of claims in which the Company had held a 60% interest. 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 the Atlanta Project, 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 permissible, due to concerns arising from the use of cyanide.

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

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

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

Recent Achievements

Following completion of a 56,924 foot (17,350 metre) drill program in 2011 which established continuity along the 11,400 foot (3,475 metres) Shear Zone, and provided further evidence that mineralization extends to a depth of more than 3,000 feet (900 metres), the Company completed an updated NI 43-101 resource estimate in the first quarter of 2012.

In May 2012, AGC submitted to the U.S. Forest Service (“USFS”) a Supplemental Plan of Operations (“SPOO”) with respect to reclamation and closure of the historic adit at the 900 level adjacent to the Atlanta Project, the expansion of the existing pilot water treatment facility (“PWTF”) being operated by AGC and ultimately, the closure of the PWTF and reclamation of the area on which the PWTF is located. The SPOO was prepared following consultation with consulting engineers, the USFS, the United States Environmental Protection Agency and the Idaho Department of Environmental Quality, and it addresses the following initiatives: (i) diversion of Montezuma Creek and realignment of USFS Road 207; (ii) maintenance and additions to the existing PWTF; and (iii) underground evaluation for closure of the 900 level adit. It is expected that such implementation will improve both the current and long-term water quality issue related to the 900-level adit, resolve the environmental issues arising from the environmental litigation involving AGC (see “Environmental Matters-Environmental Litigation”) and provide a water supply for future operations.

During the third quarter, the USFS granted approval of the SPOO for items (ii) and (iii) above in respect of the short-term water treatment and evaluation of the 900 level adit. The National Pollutant Discharge Elimination System (“NPDES”) Permit issued to AGC requires that no more than 10 micrograms per liter (10 µ/L) or parts per billion (ppb) arsenic be discharged into Montezuma Creek. The innovative passive water filtration system (“PWFS”) installed on November 1, 2012 by AGC continues to remove more than 99% of the arsenic and the iron levels continue to be in compliance with the U.S. Federal Water Pollution Control Act (“Clean Water Act”).

AGC is continuing daily monitoring of the Pilot Water Treatment Facilities, paying particular attention to the water filtration system and testing variable flows through the two filtration tanks.

In addition to daily monitoring, AGC’s testing addressed the following:

- Influent behind the bulkhead at approximately 5,000 parts per billion (“ppb”) Arsenic (As) passing through the X-cut to the portal required additional iron to maintain the As reduction in the bedded primary filter to recover over 75%.
- Pond influent is pre-treated with Calcium (CaCO₃) to increase the pH to approximately 7 and the CaCO₃ was taken off-line for two weeks to determine the effectiveness of the additive during low flows.
- Pond influent is also pre-treated with Ferric Sulphate (FeSO₄) to provide a bonding ion for the As. Following testing of the water without Calcium Carbonate (CaCO₃) for two weeks, the CaCO₃ was put back on-line and then the FeSO₄ was taken off-line for the next two weeks and then put back on-line.
- The influent water samples to the final filters provided the Company with substantial scientific information that was required for AGC to make the decision to modify its SPOO in early 2013.

AGC's plan for the spring of 2013, prior to maximum flow and run-off, is to modify the SPOO, have the changes approved by the responsible agencies, and expand the capacity of the filter system instead of increasing pond capacity. The Company expects that, with the completion of the SPOO scheduled for December 2014 and control of water discharge flow rates, this innovative system will provide a long-term water treatment solution.

Continued performance at this level of efficiency will allow AGC to demonstrate compliance with permit requirements and provide the opportunity to move forward with mine development.

AGC believes that the new system could also provide a low cost, energy efficient, safe solution to water treatment issues common to many others in the State of Idaho, and AGC has received inquiries from various communities, mine operators and well water users expressing interest in the PWFS. AGC has licensed a third party to make this system available to others that have issues with respect to water containing elevated levels of naturally-occurring arsenic.

During the third quarter, the Company completed a 145-ton bulk sample from surface trenches at Atlanta located across from the Main Shear Zone and immediately east of the Monarch Shaft. Of the 145-ton bulk sample, 107 tons were processed at a test facility operated by Knife River. The test facility models Knife River's operating plant being used at the Gold Hill Mine, located approximately 50 miles from the Atlanta Project site, which successfully liberates the free gold content from the material, without the use of chemicals. The initial metallurgical test results confirm that the processing method successfully liberates the gold content present in the extracted material. Additional testing to customize the process for Atlanta to optimize recoveries of gold-bearing arsenic is continuing. The Company believes that the Knife River process will result in significant economic and environmental benefits being realized.

Plan for Operations

The Company has shifted its primary focus from building the resource at the Atlanta Project to environmental permitting, economic analysis, engineering and development, and developing the organizational depth required to take the Atlanta Project through this next phase. The Atlanta Project is at a stage where advance planning is required to move towards production. The Company's focus is to establish an exploration and test processing program over the next two years which will serve as a model for a longer-term profitable and environmentally sustainable operation at Atlanta.

The Company plans to complete additional bulk samples in 2013 from expanded trenches along the surface of the main Shear on private land. Bulk sampling will assist in determining the final design of the processing plant and related costs.

In the Knife River process currently being tested by the Company, pit run material is crushed to a predetermined size and the finely crushed product is fed through a large efficient sluice box that uses water to float lighter rock to separate the gold, silver and heavy metals including gold bearing arsenic from the crushed material without using chemicals and with recycled water, causing no discharge. The gold particles (free gold) and the sulphide concentrates then require further processing to become a gold concentrate plus a sulphide concentrate containing a gold sulphide mix. The free gold would then be sent to a refinery and the sulphide concentrate would be sent to autoclaves to recover the additional gold and silver tied-up in the sulphides. The initial crushing and sluicing is inexpensive enough that it would allow the Company to process even low-grade material through the recovery plant.

This type of processing facility is expected to allow the Company to advance the Atlanta Project, while reducing capital investment and reducing power consumption and other operating costs associated with a conventional mill. In addition, this is an environmentally friendly method which uses and recycles water, eliminating water discharge and by collecting and concentrating all heavy metals. The Company continues to evaluate and is proposing to use improved technologies to minimize the surface disturbance and reduce the projected environmental impact of the Atlanta Project as the Company moves forward to production.

The initial metallurgical test results confirm that the processing method successfully liberates the gold content present in the extracted material. The Company plans to work with Knife River to replicate the existing process facility on the Atlanta Project site, improve the technology and customize it for Atlanta's purposes. Apart from the significant environmental benefits such as no use of chemicals, the recycling of water and the capturing of heavy metals, the capital and operating costs for this type of facility are expected to be much less than those for a conventional mill.

The original bulk sample was excavated from four existing surface trenches. The trenches are approximately 150 feet (45.7 meters) apart and are open cuts across the Main Shear Zone east of the Monarch Shaft above the 6800-foot elevation.

The 107-ton bulk sample was crushed down to a feed size of 1/8" which was processed in two days through the gravity-washed system, and samples were assayed at four collection points in the system (feed, sluice carpet, underjig and tailings). Free gold particles collected in the system would be sent for refining into doré gold bars; while the remaining sulphide material, commonly referred to as black sand will be further processed offsite.

Bulk Sample	Grade		Weight	
	opt Au	gpt* Au	tons	pounds
Feed	0.049	1.69	107.00	214,000
Sluice	1.341	45.98	0.34	680
Underjig	0.058	2.00	7.50	15,000
Tailings	0.048	1.63	99.16	198,320
Total Sample			107.00	214,000

**1 troy ounce per short (Imperial) ton = 34.2857 grams per metric tonne or 34.2857 parts per million*

The results indicate that processing of the initial bulk sample left significant amounts of gold behind in the tailings. Further test work is necessary to improve recovery. Therefore, the Company will reduce the grind size of material to a feed size of +50 (+10 mm) mesh, relocate the jigs and reduce the angle of the sluice boxes so that less than 0.001 opt (0.034 gpt) Au remains in the tailings. A small test sample has been successfully processed subsequent to the 107-ton bulk sample, and demonstrates the potential of this refinement. It is anticipated that an ongoing program will be necessary to customize the process for the material extracted from the exploration trenches, and to optimize recoveries.

Bulk sampling will test structure and grade continuity, establish representative gold grade, assist in developing mining protocol, grade control, material handling and beneficiating procedures and assist in determining the final design of the processing plant. The environmental or surface footprint of the trenches and waste depository would initially be confined to less than ten acres of disturbance.

The proposed system of metallurgical recovery from the test sample processing plant has been successfully applied and achieved high gold recovery rates at a similar deposit within a 50-mile (80-kilometer) radius of the Atlanta property. The pilot scale model will be used to test the recovery of precious metals from the bulk sample and the Company expects to reduce the 107 tons of feed material to less than half a ton of gold and silver concentrate. No chemicals will be added because the gravity processing system only uses water.

This test processing strategy is aimed at enabling the Company to generate positive cash flow in the near-term, which will allow the Company to increase its mineral resource inventory with a view to further increasing the mine life, production and cash flow. Positive cash flow will also afford the Company the opportunity to lessen its dependence on the capital markets. This strategy offers an initial mine plan targeting development to be completed by mid-2014, focusing on maximizing grades and gold recovery from near-surface material at attractive capital and operating costs.

In order to sustain its operations, the Company requires additional funds to discharge its liabilities, including payment of the \$2 million penalty imposed by the Idaho Court on AGC, to conduct its work program on the Atlanta Project and to meet its overhead expenses. The Company has announced its intention to seek debt financing in the form of secured gold notes, which would be repayable in physical gold or the cash equivalent. The Company may also seek additional capital by means of equity financings and/or additional debt financings. Challenging financial markets generally, and the impact of the environmental litigation involving AGC, have adversely affected the Company's share price and its ability to finance planned activities and ongoing operations. While management believes that the Company will be successful in completing the gold note financing, delays in completing, or the inability to complete a significant portion of the financing will result in possibly significant delays in carrying out the Company's planned activities.

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 installing upgrades to the PWTF, 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 proposed 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 friendly mining project at Atlanta.

Environmental Litigation

Companies previously in production at the historic mine site drove an adit at the 900 level (the “**Adit**”) and groundwater drains from the Adit. The area contains naturally-occurring arsenic, which enters the waterways as a result of water passing through historic mined-out areas in the mineralized structure. In 2006, AGC constructed, and since that time has operated, the PWTF which treats water flowing from the Adit to remove significant levels of naturally-occurring contaminants, including arsenic. AGC holds no interest in the land on which the Adit is located nor does it have any right to use the groundwater that is discharged from the Adit. Subsequent to construction of the PWTF, permitted limits for effluents, including for arsenic, were significantly reduced. The permitted discharge limit for arsenic was reduced from 190 to 10 micrograms per liter (10 µ/L) or parts per billion. The PWTF as constructed was not capable of meeting these significantly lower limits. AGC subsequently modified its treatment regime and engaged consultants to evaluate various treatment options.

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

On January 9, 2012 the Court granted the motion for partial summary judgment sought by ICL and NEDC. The Court found that the levels of arsenic in the water discharge violated the effluent limits contained in the NPDES permit held by AGC. On July 19, 2012, the Court issued a Memorandum Decision (the “**Decision**”) and ordered AGC to implement measures to come into compliance with the NPDES Permits by October 31, 2012, which date was subsequently extended by the Court to December 15, 2012. As described under “Recent Achievements”, AGC has completed the installation of a passive water treatment system to the PWTF. Testing of the new system is continuing and it is believed that the system will enable AGC to maintain compliance with the effluent limits in the NPDES Permit. The Decision also imposed a \$2,000,000 penalty against AGC to be paid by October 31, 2012. AGC requested and the Court granted a six-month extension for the time to pay the penalty to April 30, 2013. The outstanding penalty will bear interest at approximately 10% per annum until it is paid in full. In November 2012, AGC reached a settlement agreement with ICL and NEDC in respect of reimbursement of their attorney fees and litigation costs incurred in their legal action against AGC. AGC will pay a total of \$240,000 in four equal payments to them beginning on December 15, 2012 and ending on October 15, 2013.

The Company and / or AGC will require significant funding in excess of current financial resources to pay the \$2 million penalty, to complete implementation of the SPOO and to carry out its planned development initiatives. The Company anticipates obtaining the funding through the gold note financing. If completion of that financing is delayed or not completed, the Company will need to utilize one or more alternative sources of funds in order that it may meet its obligations and carry out its planned activities.

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**”). AGC subsequently acquired CAMC’s interest and CAMC retains a 1% net smelter return royalty over Atlanta.

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 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 \$665 per ounce. As at December 31, 2012, advance royalty payments of \$1,500,000 had been paid by AGC to Monarch and will be deducted from future royalty payments to Monarch.

2. Hill & Davis

The Hill & Davis patented mining claim was purchased for \$139,500 in five annual payments, with the final payment being 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. C. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at December 31, 2012 advance royalty payments of \$188,500 have been made and will be deducted from any future royalty payments to F. C. Gardner.

4. Hollenbeck Properties LLC

AGC leases 9 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease has been extended to November 14, 2013 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, 2012, advance royalty payments of \$302,500 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, 2012, advance royalty payments totalling \$1,991,000 will be deducted from any future royalty payments to lessors / royalty holders. Lease payments made in the third quarter of 2012 and advance royalty payments as at December 31, 2012 are summarized in the table below.

Lessor / Royalty Holder	Property	Payments in 2012 \$	Advance Royalty Payments as at December 31, 2012 \$
Monarch Greenback, LLC ⁽¹⁾	Monarch Greenback	-	1,500,000
Frank C. Gardner ⁽²⁾	Gardner	10,000	188,500
Hollenbeck Properties LLC ⁽³⁾	Minerva	10,000	302,500
TOTAL		20,000	1,991,000

Notes:

- (1) Rental payments to Monarch totalling \$290,000 per annum were extinguished upon purchase of this property in June 2011.
- (2) \$10,000 annual lease payment was paid on May 1, 2012.
- (3) \$10,000 annual lease payment was paid on November 15, 2012 on the Hollenbeck claims. The lease currently runs to November 2013 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 of 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. On December 14, 2012, the Company issued 5,148,951 common shares in satisfaction of C\$257,448 of accrued interest. 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 \$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 C\$0.35 (3.5 times the Conversion Price). 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 a 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 principal and interest payments of \$2,490 on the promissory note.

Overview of Financial Results

Debt and Equity Financing

During 2012, the Company raised gross proceeds of C\$1,370,000 through private placements of equity securities. In addition, the Company satisfied indebtedness, consisting of finder's fees, trade payables, shareholder loans and interest on the Debenture totalling C\$1,274,243 by the issuance of 25,484,860 common shares. By comparison, the Company raised gross proceeds of C\$3,400,000 from equity financings in 2011. Details of the above share issuances are as follows:

On May 23, 2012, the Company issued 4,000,000 common shares to settle a finder's fee of C\$200,000 incurred in connection with the issuance by the Company of the Debenture to CCM.

In light of its limited cash position and working capital deficiency, shareholders, including insiders of the Company, from time to time advance funds to the Company and AGC in the form of shareholders' loans. Loans from shareholders to the Company bear interest at 7% per year and shareholder's loans to AGC bear interest at 4% per year. On September 6, 2012 the Company issued 16,335,909 common shares at a deemed price of C\$0.05 per share in satisfaction of approximately C\$816,795 of outstanding indebtedness which consisted of trade payables and loans from shareholders including approximately C\$662,000 owed to three insiders of the Company in respect of shareholder loans. Loans payable to shareholders totalled approximately \$110,000 as at December 31, 2012 (December 31, 2011 – Nil).

On October 2, 2012, the Company issued 16,666,666 Units at a price of C\$0.03 per Unit for gross proceeds of C\$500,000, with each Unit consisting of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable for a period of up to 24 months from closing of the offering and entitles the holder to purchase one additional common share at C\$0.05 for the initial 12 months from closing and at C\$0.10 per share thereafter. 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\$0.15 for 20 consecutive days on which the Company's shares trade.

On November 9 and December 19, 2012, the Company completed a non-brokered private placement of a total of 17,400,000 Units at a price of C\$0.05 per Unit, for aggregate gross proceeds of C\$870,000. Each Unit consists of one common share and one warrant to purchase a common share of the Company. Each whole warrant is exercisable for a period of 24 months from closing of the offering and entitles the holder to purchase one additional common share at C\$0.10 for the initial 12 months from closing and at C\$0.15 per share thereafter. 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\$0.20 for 20 consecutive days on which the Company's shares trade. Insiders of the Company acquired 1,930,000 Units, representing 11.1% of the Units issued. The Company paid cash finder's fees of C\$29,480 and issued 589,600 compensation warrants in connection with the placement. Each compensation warrant entitles the holder to purchase one common share of the Company at a price of C\$0.10 per share for one year. Net proceeds from the offering were used to reduce indebtedness and for general working capital purposes.

By comparison, 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.

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 more recently, by the debt financing described under "Debt Financing".

Cash as at December 31, 2012 was \$53,000 compared to \$210,000 as at December 31, 2011. The environmental litigation against AGC and the challenging financial markets currently faced by companies in the gold sector generally have had a significant adverse affect on the Company's share price and on its ability to raise additional funds through equity financings in a timely manner.

Throughout 2012, the Company took a number of steps to conserve cash spending and complete additional financings. In January 2012, a member of senior management voluntarily agreed to a suspension of salary payments and certain consulting fees to other members of management were reduced or eliminated. During the second and third quarters of 2012, the Company issued a total of 20,335,909 common shares in satisfaction of a finder's fee of C\$200,000 incurred in connection with the issuance of the Debenture and C\$817,000 of outstanding trade payables and loans from shareholders.

In the fourth quarter of 2012, the Company issued 5,148,951 common shares, in satisfaction of approximately C\$257,448 of interest, in accordance with the terms of the Debenture. The Company also raised gross proceeds of C\$1,370,000 by means of equity private placements completed during the fourth quarter of 2012.

Notwithstanding the foregoing efforts, the Company had a working capital deficiency as at December 31, 2012 of \$3,593,000 as compared to a deficiency of \$805,000 as at December 31, 2011.

	As at	
	December 31, 2012	December 31, 2011
Cash and cash equivalents	\$ 53,000	\$ 210,000
Current assets	\$ 141,000	\$ 365,000
Current liabilities	(3,734,000)	(1,170,000)
Working capital (deficiency)	\$ (3,593,000)	\$ (805,000)

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

The working capital deficiency is expected to be addressed in the near term by completing a private placement of senior secured gold notes ("Gold Notes") for gross proceeds of up to \$9 million. The Gold Notes will be sold as part of a Unit, with each Unit consisting of \$1.00 principal amount Gold Notes and one common share purchase warrant, exercisable at C\$0.10 per share.

The Gold Notes will bear interest of 10% per annum and interest as well as principal, amortized at 25%, 35% and 40%, will be repayable annually on February 28, 2014, February 28, 2015 and February 29, 2016, respectively. Principal and interest will be repayable in physical gold, or at the election of either the Company or the investor, in the cash equivalent thereof based on spot gold prices at the time of payment. The number of ounces of gold to be delivered to each investor in satisfaction of principal and interest payments will be calculated based on Reference Gold Prices per

ounce of \$1,300 in Year 1, \$1,200 in Year 2 and \$1,100 in Year 3. The Gold Notes will be secured by a limited recourse guarantee of AGC and the guarantee will be secured by a first ranking mortgage of AGC's right, title and interest in the Atlanta Project, located in Idaho U.S.A.

The warrants will be exercisable at an exercise price of C\$0.10 per share until November 30, 2015. The Company will have 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\$0.25 for 20 consecutive days on which the Company's shares trade.

Net proceeds from the offering will be used for exploration, excavating and test processing of bulk samples, environmental permitting, payment of the court penalty, SPOO project costs, engineering and development in respect of the Atlanta Project, to reduce indebtedness and for general working capital purposes.

Completion of the offering is subject to the approval of the TSXV and the execution of definitive documentation. Certain insiders of the Company may participate in the offering.

If completion of the planned financing is delayed or is not completed, the Company will, in the short term, be required to rely on other sources of funds, which may include shareholder loans or additional equity financing, and the Company may consider the sale of non-core assets to assist it in meeting its ongoing capital requirements. In the longer term, the Company will require additional financing to finance its exploration and development activities and it intends to do so from future financings of equity and / or debt and / or by obtaining direct investments in the Atlanta Project by joint venture partners. The inability to obtain additional funding on a timely basis may have a material adverse effect on the financial condition, business and operations of the Company and AGC.

Equity

As at December 31, 2012, the Company had (a) 253,441,565 common shares issued and outstanding, (December 31, 2011 – 193,890,039); (b) stock options outstanding to purchase 5,435,000 common shares (December 31, 2011 – 6,420,000) at exercise prices ranging from C\$0.12 to C\$0.63 per share and expiring between March 2013 and September 2015; and (c) Warrants to purchase 98,328,875 common shares (December 31, 2011 – 105,202,645) of the Company at exercise prices ranging between C\$0.05 and C\$0.15 per share, expiring between July 2013 and December 2016. In certain instances, the expiry dates of certain warrants may be accelerated by the Company. Shareholders' equity as at December 31, 2012 was \$37,443,000 compared to \$38,998,000 as at December 31, 2011. Stock options outstanding as at December 31, 2012 had a weighted average exercise price of C\$0.38 per share (December 31, 2011 - C\$0.35 per share) and a weighted average life of 16 months (December 31, 2011 – 29 months).

General and Administrative Expenses

Corporate overhead expenses for 2012 were \$1,315,000 compared to \$1,792,000 for 2011. The decrease in 2012 compared with 2011 was mainly due to a reduction in legal fees, investor relations fees, salaries and management fees, foreign exchange loss, stock-based compensation, administrative and office and travel expenses.

Capital Expenditures

Atlanta gold property, Idaho, USA:

Expenditures in 2012 of \$3,041,000 (2011 \$7,817,000) included the completion of a 107-ton bulk sample from surface trenches at the Atlanta Project, capitalized depreciation of exploration and evaluation assets and accrued rehabilitation provisions for the 900 adit.

In comparison, expenditures in 2011 of \$7,817,000 were focused on the purchase of the Monarch Property, an exploration program involved operating three drills and conducting surface sampling, preparation of an updated NI 43-101 Technical Report, environmental and permitting expenditures and preparation for a Preliminary Economic Assessment.

Contingencies and Commitments

The Company has made commitments in respect of its head office leases, the penalty levied by the U.S. District Court for the State of Idaho, implementation of the SPOO, long-term debt, mineral properties and other leases as follows:

(C\$ in 000's)

	Total	Payments Due by Period		
		Years 1 to 2	Years 3 to 4	Beyond Year 4
Head office	70	70	-	-
Penalty, attorney fees and litigation costs	2,180	2,180	-	-
Implementation of Supplemental Plan of Operations ⁽¹⁾	1,696	1,696		
Long-term debt ^{(2) (3)}	4,116	841	3,275	-
Operating leases ⁽⁴⁾	99	99	-	-
Other long-term obligations ^{(5)(6)(7) (8)}	30	20	10	-
Total Contractual Obligations	8,191	4,906	3,285	-

- (1) During the third quarter of 2012, the USFS granted approval of maintenance and additions to the existing Pilot Water Treatment Facility and underground evaluation for closure of the 900 level adit.
- (2) See the description of the Debenture under "Debt Financing".
- (3) See the description of the \$425,000 Secured Promissory Note under "Debt Financing".
- (4) 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 \$4,887.50 per month until June 30, 2014. Under the term of the agreement, AGC has a right of refusal to purchase the property and water rights.
- (5) See "Ownership of Atlanta Properties: F.C. Gardner".
- (6) See "Ownership of Atlanta Properties: Hollenbeck Properties LLC".
- (7) CAMC retains a 1% net smelter royalty on Atlanta. See also "Ownership of Atlanta Properties".
- (8) Monarch retains a variable net smelter return royalty, varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding \$665 per ounce, on the 430-acre property purchased by AGC from Monarch in June 2011. As at December 31, 2012, advance royalty payments of \$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 12 Commitments and Contingencies to the Company’s audited consolidated financial statements for the year ended December 31, 2012.

Fourth Quarter Results

General and administrative expenses for the fourth quarter of 2012 were \$447,000 (2011 - \$580,000). The decrease in the fourth quarter of 2012 from those incurred in the fourth quarter of 2011 primarily reflects a decrease in administrative and office, investor relations fees, salaries and management fees, stock-based compensation and travel expenses.

Cash used in operating activities for the fourth quarter of 2012 was \$822,000 (2011 – \$140,000). The increase in 2012 mainly resulted from payment of a larger amount of accounts payable after the private placement closed in the fourth quarter of 2012.

Cash from financing activities for the fourth quarter of 2012 was \$1,189,000 (2011 - \$724,000) resulting from the two private placements which closed in the fourth quarter of 2012.

Cash used in investing activities for the fourth quarter of 2012 was \$326,000 (2011 – \$1,159,000) resulting from mineral property expenditures of \$162,000 (2011 - \$1,955,000) and equipment purchases of \$164,000 (2011 - \$34,000). 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.

	2012	2011	2010
Total Revenues	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items	3,707	1,593	1,627
Loss per share	0.02	0.01	0.01
Net loss ⁽ⁱ⁾	3,707	1,593	1,627
Net loss per share	0.02	0.01	0.01
Total assets ⁽ⁱⁱ⁾	44,750	42,437	36,572
Total non-current financial liabilities	3,573	2,269	150
Cash dividends per share	Nil	Nil	Nil

Total assets increased by \$2,312,000 to \$44,750,000 at December 31, 2012 (2011 - \$42,437,000) primarily due to mineral property expenditures and property plant and equipment additions. 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.

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, 2012	-	447	343(1)(2)	0.00
September 30, 2012	-	211	2,530(1)(2)	0.01
June 30, 2012	-	336	619(1)(2)	0.00
March 31, 2012	-	321	385(1)(2)	0.00
December 31, 2011	-	580	714(1)(2)	0.00
September 30, 2011	-	347	348(1)(2)	0.00
June 30, 2011	-	446	450(1)(2)	0.00
March 31, 2011	-	419	418(1)(2)	0.00

1. Includes: Mineral property costs expensed as follows: \$103,000 during the fourth quarter of 2012. Nil during the third quarter of 2012; \$1,000 during the second quarter of 2012; Nil during the first quarter of 2012; \$50,000 during the fourth quarter of 2011; \$1,000 recovered during the third quarter of 2011; \$1,000 during the second quarter of 2011; \$5,000 during the first quarter of 2011.
2. Includes stock-based compensation expense charged as follows: \$1,000 during the fourth quarter of 2012; Nil during the third quarter of 2012; \$6,000 during the second quarter of 2012; \$6,000 during the first quarter of 2012; \$6,000 during the fourth quarter of 2011; \$6,000 during the third quarter of 2011; \$6,000 during the second quarter of 2011; \$27,000 during the first quarter of 2011.
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 the Atlanta Project, an advanced stage gold property.

The Atlanta Project's 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 the Atlanta Project advances towards 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 2012.

Outlook**Atlanta Gold Property**

The price of gold is the most significant factor that will affect the Company's future profitability and operating cash flows. The Company expects gold to remain attractive as a safe haven as many developed nations continue to struggle with economic uncertainty, elevated debt levels and respond with loose monetary policies. The growing middle class in emerging economies is providing further support for gold prices.

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

The Company is focusing on safeguarding the environment, environmental permitting, economic analysis, engineering and development. It intends to complete and test additional bulk samples from expanded trenches in 2013 and is investigating the feasibility of initiating pilot scale gold processing in advance of commercial gold production.

The plan for 2013 is: (1) to continue to implement the SPOO for the 900 Adit Closure and Reclamation Plan pertaining to the water treatment plant; and (2) to generate a larger bulk sample in order to determine the most effective gravity recovery system for mining and processing of the Atlanta lode in both the oxide and sulfide zones.

As prescribed in the government approved SPOO and the Final Filter specifications for the Atlanta mine project, the first stage of the new and proprietary passive water treatment system was implemented to capture 99.8% or more of the arsenic, to achieve compliance with the Clean Water Act. The Passive Filtration System at the Pilot Water Treatment Facility (PWTF) was installed in November 2012 (see news release dated November 13, 2012). The second stage, planned to expand the capacity of the PWTF to handle 600+ gallons per minute, will be completed in Q3-2013. The final stage is to plug the 900 crosscut and complete the closure plan for the 900 site by December 2014.

Results to date from the 107-ton bulk sample processed in August 2012 have confirmed beneficiation using the gravity recovery procedure is expected to achieve a recovery greater than 83% which was used in the model developed by P&E for their NI 43-101 compliant resource estimate (see "NI 43-101 Resource Estimate").

The Company will continue to work with Knife River to mobilize its processing facility to the Atlanta Project site, improve the technology and customize it for Atlanta's purposes. No chemicals will be added because the gravity processing system only uses water.

In order to mobilize the needed equipment onto the site, AGC intends to build an 8km access road. This all seasons road is an indication of the Company's determination to address existing environmental conditions by relocating access routes, reducing the travel along drainages, protecting streams and tributaries, reducing storm water pollution by increasing the width of the buffer zones,

eliminating the continuous use of exploration roads, providing a firebreak for the town of Atlanta and, last but not least, a safe entry and access route for all road users.

The request to construct the road was supported by residents, property owners and visiting sportsmen via a petition to the Elmore County Commissioners and Planning Board. The “firebreak” road will follow historic routing and cross public lands to the main shear zone of the Atlanta Mine’s private property. This road will also provide a firebreak to protect the forested north-facing slope of the Atlanta Project landholdings. The North Slope is the area within which the historic Atlanta community is located. The Company has received approval for the construction of the private access road from the Atlanta Highway District (see news release dated December 12, 2012) and construction is expected in Q2-2013 and should take approximately three weeks to be completed.

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 by the issuance of debt and equity financing and the possible joint venturing of a direct interest in the Atlanta Project. The environmental legal action against AGC by two environmental interest groups and the outcome thereof have adversely affected the Company’s ability to finance its activities and operations. If the Company experiences significant delays in obtaining additional funding necessary to fund its ongoing operating and capital requirements and for AGC to pay the penalty imposed by the Court on a timely basis, this may have a material adverse impact on the Company’s financial condition, business and plan of operations.

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

The Atlanta Project is a significant asset with near-term production potential. It has a growing Indicated and Inferred resource and significant potential for additional gold deposits that will provide substantial long-term economic and environmental benefits to the town of Atlanta, the surrounding communities and the State of Idaho, as well as to the Company and its shareholders.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

Shareholders' loans of \$110,255 (December 31, 2011 - \$5,200) were payable to various directors, officers and shareholders of the Company. Certain directors and officers subscribed for 1,930,000 Units (2011 – 7,110,000 Units) in private placements in 2012 for an aggregate subscription price of C\$96,500 (2011 - C\$535,200). Share-based compensation paid to directors and officers of \$13,333 (2011 -\$59,183) was included in the statements of loss and comprehensive loss and \$5,764 (2011 - \$26,347) 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 18, 2013, the Company has 253,441,565 common shares outstanding, incentive stock options outstanding to purchase 4,105,000 common shares at prices ranging from C\$0.12 to C\$0.60 per share for terms ending between February 2014 and September 2015, and warrants outstanding to

purchase 98,328,875 common shares at prices ranging from C\$0.05 to C\$0.15 per share, expiring between July 2013 and December 2016.

Accounting Policies

No new accounting policies were adopted in 2012. The Company is presently assessing the impact of the following accounting standards which have been issued but not applied: IFRS 7, Financial Instruments: Disclosure, IFRS 9, Financial Instruments and IFRS 10, Consolidation.

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 the Atlanta Project 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:

Financing Risk

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

Litigation Risk

The mining industry is frequently subject to legal claims, particularly with respect to environmental matters. The Company's subsidiary, AGC, has been ordered to pay a penalty in the amount of \$2,000,000 plus interest thereon by April 30, 2013. If AGC is unable to pay the penalty and related interest within the allotted time, the Court may impose additional financial or other sanctions, which could be significant. The Court's Decision, as amended, also ordered AGC to achieve compliance with the terms of the NPDES Permit regulated under the Clean Water Act by December 15, 2012. Initial results from this system, including weekly water sampling and independent lab analysis, demonstrate that the P WTF is currently removing approximately 99.9% of arsenic, and approximately 99% of the iron from the water prior to discharge into Montezuma Creek, which meets the NPDES discharge requirements for arsenic and iron. Testing of the system is continuing and there can be no assurance that full compliance will be maintained until testing has been completed and the SPOO is completed in 2014.

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 the Atlanta Project

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.

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.

Dependence on Key Personnel, Consultants and Contractors

The Company currently has a small management group and has used a limited number of consultants and contractors, which is sufficient for the Company's present stage of activity. However, 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.

Capital and Operating Estimates

The Company's projected capital and operating cost estimates have been developed only to an approximate order of magnitude based on generally understood capital cost to production level relationships and they are not based on any systematic engineering studies, so the ultimate costs may

vary widely from estimated amounts and may take longer than normal to optimize. As is normal at this stage of a project, data is incomplete and estimates were developed based solely on the expertise of the individuals involved. At this level of engineering, the criteria, methods and estimates are very preliminary and require a high level of subjective judgment. There can be no assurance that the Company's operating and financial estimates will be realized, and differences from actual results may be material.

Secured Convertible Debenture

The Company's 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 the Atlanta Project. 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 will 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 18, 2013