



ATLANTA GOLD INC.

Atlanta Gold Inc.

Condensed Interim Consolidated Financial Statements

September 30, 2013

(Expressed in U.S. Dollars)

(Unaudited)

Notice of no auditor review of condensed interim consolidated financial statements

Under National Instrument 51-102, Part 4, subsection 4.3(3a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

November 6, 2013

ATLANTA GOLD INC.

(An exploration stage company)

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in U.S. Dollars)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,296,850	\$ 52,720
Recoverable taxes	62,331	27,338
Prepaid expenses	40,414	61,133
	1,399,595	141,191
Exploration and evaluation assets (note 3)	44,234,725	43,167,861
Property, plant and equipment (note 4)	1,782,688	1,440,622
	\$ 47,417,008	\$ 44,749,674
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 1,312,040	\$ 3,099,849
Promissory note (note 5(b))	424,717	-
Senior secured notes - current (note 5(c))	980,512	-
Shareholders' loans (note 8)	279,249	110,255
Rehabilitation provisions (note 9 and 10)	738,839	523,839
	3,735,357	3,733,943
Non-current liabilities		
Rehabilitation provisions (note 9 and 10)	1,172,650	1,472,650
Penalty payable to U.S. Treasury (note 10)	1,850,000	-
Promissory note (note 5(b))	-	424,753
Senior secured notes (note 5(c))	2,937,204	-
Convertible debenture (note 5(a))	1,702,793	1,675,659
	11,398,004	7,307,005
EQUITY		
Capital stock	89,170,747	89,170,747
Warrants (note 6(a))	1,042,912	2,245,469
Contributed surplus (note 6(b))	10,105,773	8,814,335
Accumulated deficit	(64,407,810)	(62,751,079)
Accumulated other comprehensive gain (loss)	107,382	(36,803)
	36,019,004	37,442,669
	\$ 47,417,008	\$ 44,749,674

Nature of operations and going concern (note 1)

Commitments and contingencies (note 10)

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

ATLANTA GOLD INC.

(An exploration stage company)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in U.S. Dollars)

Nine months ended September 30, 2013 and 2012

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
General and administrative expenses:				
Professional fees	\$ 125,075	\$ 52,782	\$ 542,652	\$ 294,516
Salaries and management fees (note 8)	84,925	90,047	271,962	282,335
Administrative and office	28,103	28,107	78,531	113,052
Investor relations	66,298	38,419	238,572	158,039
Share-based compensation (note 6(b))	67	-	557	12,702
Travel and accommodation	3,044	1,384	5,942	7,673
Loss from foreign currency transactions	31,652	-	44,390	-
	339,164	210,739	1,182,606	868,317
Penalty, attorney fees and litigation costs	-	2,240,000	-	2,240,000
Exploration and evaluation expense	28,376	72	39,216	1,531
	367,540	2,450,811	1,221,822	3,109,848
Finance items:				
Finance costs	236,021	52,163	344,555	183,961
Gain on sale of marketable securities	-	-	-	(4,534)
Accretion of convertible debenture (note 5(a) and (c))	33,964	26,577	90,354	74,325
	269,985	78,740	434,909	253,752
Net loss	637,525	2,529,551	1,656,731	3,363,600
Other comprehensive income				
Foreign currency translation adjustment	52,340	-	(144,185)	-
Net loss and comprehensive loss for the period	\$ 689,865	\$ 2,529,551	\$ 1,512,546	\$ 3,363,600
Weighted average number of consolidated shares outstanding	253,441,565	202,151,580	253,441,565	197,233,330
Net loss per share - basic and diluted (note 7)	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.02

Nature of operations and going concern (note 1)

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

ATLANTA GOLD INC.

(An exploration stage company)

Condensed Interim Consolidated Statements of Cash Flow

(Unaudited - Expressed in U.S. Dollars)

Nine months ended September 30, 2013 and 2012

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Cash provided by (used in)				
Operating activities:				
Net loss for the period	\$ (637,525)	\$ (2,529,551)	\$ (1,656,731)	\$ (3,363,600)
Add (deduct) items not involving cash:				
Rehabilitation provisions	(85,000)	-	(85,000)	-
Finance costs paid by issuance of shares	-	-	-	30,658
Share-based compensation (note 6(b))	67	-	557	12,702
Gain on sale of marketable securities	-	-	-	(4,534)
Unrealized foreign exchange	(16,983)	-	87,004	-
Accretion of convertible debenture (5(a) and (c))	33,964	26,577	90,354	74,325
Net change in non-cash working capital	(516,557)	2,544,778	47,917	2,852,626
Net cash used in operating activities	(1,222,034)	41,804	(1,515,899)	(397,823)
Financing activities:				
Loans from shareholders	(722,052)	292,285	168,994	986,472
Promissory notes	(36)	-	(36)	(107)
Proceeds from senior secured notes	4,000,000	-	4,000,000	-
Issuance of common shares net of issuance costs	-	(6,483)	-	(6,483)
Net cash from financing activities	3,277,912	285,802	4,168,958	979,882
Investing activities:				
Exploration and evaluation asset	(279,335)	(326,092)	(774,090)	(821,885)
Property, plant and equipment	(516,240)	(7,475)	(634,839)	9,216
Sale of marketable securities	-	-	-	31,669
Net cash used in investing activities	(795,575)	(333,567)	(1,408,929)	(781,000)
Increase (decrease) in cash and cash equivalents	1,260,303	(5,961)	1,244,130	(198,941)
Cash and cash equivalents, beginning of period	36,547	17,190	52,720	210,170
Cash and cash equivalents, end of period	\$ 1,296,850	\$ 11,229	\$ 1,296,850	\$ 11,229

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ATLANTA GOLD INC.

(An exploration stage company)

Condensed Interim Consolidated Statements of Cash Flow

(Unaudited - Expressed in U.S. Dollars)

Nine months ended September 30, 2013 and 2012

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Net change in non-cash working capital items				
Recoverable taxes	\$ (3,490)	\$ 20,790	\$ (34,993)	\$ 39,986
Prepaid expenses	15,339	7,930	20,719	41,834
Accounts payable and accrued liabilities	(2,378,406)	2,516,058	(1,787,809)	2,770,806
Penalty payable to U.S. Treasury	1,850,000	-	1,850,000	-
	\$ (516,557)	\$ 2,544,778	\$ 47,917	\$ 2,852,626

Significant non-cash financing and investing activities

Capitalized depreciation (note 4)	\$ 95,280	\$ 89,784	\$ 287,163	\$ 276,501
Capitalized stock-based compensation	-	-	-	5,764
Shares issued to pay finance costs	-	-	-	200,000
Shares issued to settle trade payables and loans from shareholders	-	816,795	-	816,795
Disposal of property, plant and equipment to settle accounts payables	-	104,671	-	313,171

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ATLANTA GOLD INC.

(An exploration stage company)

Condensed Interim Consolidated Statements of Changes in Equity

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

Nine months ended September 30, 2013 and 2012

	Number of Shares	Share Capital	Warrants	Contributed Surplus (note 6)	Accumulated Deficit	Accumulated Other Comprehensive Gain (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	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	16,335,909	824,605	-	-	-	-	824,605
Share-based compensation (note 6(b))	-	-	-	18,466	-	-	18,466
Warrants expiring unexercised	-	-	(2,247,482)	2,247,482	-	-	-
Finance costs paid by issuance of shares allocated to warrants and conversion option	-	-	(44,907)	(45,466)	-	-	(90,373)
Net loss for the period	-	-	-	-	(3,363,600)	-	(3,363,600)
Balance - September 30, 2012	214,225,948	\$ 87,824,324	\$ 2,054,650	\$ 9,110,814	\$(62,407,609)	\$ -	\$ 36,582,179
Shares issued for cash - at C\$0.03 per common share unit, net of share issue costs	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	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	5,148,951	259,228	-	-	-	-	259,228
Stock-based compensation (note 6(b))	-	-	-	633	-	-	633
Warrants expiring unexercised	-	-	(2,469)	(297,112)	-	-	(299,581)
Net loss for the period	-	-	-	-	(343,470)	-	(343,470)
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 condensed interim consolidated financial statements.

ATLANTA GOLD INC.

(An exploration stage company)

Condensed Interim Consolidated Statements of Changes in Equity

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

Nine months ended September 30, 2013 and 2012

	Number of Shares	Share Capital	Warrants	Contributed Surplus (note 6)	Accumulated Deficit	Accumulated Other Comprehensive Gain (Loss)	Total
Balance - January 1, 2013	253,441,565	\$ 89,170,747	\$ 2,245,469	\$ 8,814,335	\$(62,751,079)	\$ (36,803)	\$ 37,442,669
Warrants issued with secured gold notes	-	-	88,324	-	-	-	88,324
Share-based compensation (note 6(b))	-	-	-	557	-	-	557
Warrants expiring unexercised	-	-	(1,290,881)	1,290,881	-	-	-
Net loss for the period	-	-	-	-	(1,656,731)	-	(1,656,731)
Foreign currency translation adjustment	-	-	-	-	-	144,185	144,185
Balance - September 30, 2013	253,441,565	\$ 89,170,747	\$ 1,042,912	\$ 10,105,773	\$(64,407,810)	\$ 107,382	\$ 36,019,004

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

ATLANTA GOLD INC.

(An exploration stage company)

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Nine months ended September 30, 2013 and 2012

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. Other than completion of the second phase of a restoration program on Baffin Island which is expected to be completed in the summer of 2014, 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 unaudited condensed interim 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 September 30, 2013, the Company had a deficit of \$64,407,810, no source of operating cash flows and reported a net loss of \$1,656,731 for the nine months ended September 30, 2013. The Company's current liabilities exceeded its current assets by \$2,335,762 as of September 30, 2013. 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 unaudited condensed interim 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 Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Nine months ended September 30, 2013 and 2012

2. Basis of preparation

(i) Basis of presentation and measurement

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with 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 unaudited condensed interim consolidated financial statements have been prepared under the historical cost method, except for certain financial instruments measured at fair value.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2012 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods adopted are consistent with those disclosed in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2012.

These unaudited condensed interim consolidated financial statements were approved by the board of directors for issue on November 6, 2013.

(ii) Critical accounting estimates and judgments

Areas of critical accounting estimates and judgments that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements are disclosed in Note 3 of the Company's consolidated financial statements as at and for the year ended December 31, 2012.

3. Exploration and evaluation assets

At January 1, 2012:	\$ 40,126,393
Additions	1,092,569
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Closing net book value at September 30, 2012	41,218,962
Additions	1,948,899
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Closing net book value at December 31, 2012	43,167,861
Additions	1,066,864
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Closing net book value at September 30, 2013	\$ 44,234,725

ATLANTA GOLD INC.

(An exploration stage company)

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Nine months ended September 30, 2013 and 2012

3. Exploration and evaluation assets (continued)

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

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

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

(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 5(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 September 30, 2013, 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. C. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at September 30, 2013, advance royalty payments of \$198,500 (December 31, 2012 - \$188,500) have been made and will be deducted from any future royalty payments to F. C. 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, 2014 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 September 30, 2013, advance royalty payments of \$302,500 (December 31, 2012 - \$302,500) had been paid and will be deducted from any future royalty payments to Hollenbeck.

ATLANTA GOLD INC.

(An exploration stage company)

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Nine months ended September 30, 2013 and 2012

3. Exploration and evaluation assets (continued)

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

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 September 30, 2013, advance royalty payments totaling \$2,001,000 (December 31, 2012 - \$1,991,000) will be deducted from any future royalty payments to lessors / royalty holders.

4. Property, plant and equipment

	Land	Building, Field Equipment and Other	Total
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	-	22,285	22,285
Disposals	-	(324,589)	(324,589)
Depreciation	-	(276,501)	(276,501)
Closing Net Book Value at September 30, 2012	869,804	497,099	1,366,903
Additions	29,761	134,430	164,191
Disposals	(95,464)	95,464	-
Depreciation	-	(90,472)	(90,472)
Closing Net Book Value at December 31, 2012	\$ 804,101	\$ 636,521	\$ 1,440,622
At January 1, 2013:			
Cost	\$ 804,101	\$ 2,532,938	\$ 3,337,039
Accumulated depreciation	-	(1,896,417)	(1,896,417)
Opening Net Book Value at January 1, 2013	804,101	636,521	1,440,622
Nine months ended September 30, 2013:			
Opening Net Book Value at January 1, 2013	804,101	636,521	1,440,622
Additions	22,392	612,448	634,840
Disposals	-	(5,611)	(5,611)
Depreciation	-	(287,163)	(287,163)
Closing Net Book Value at September 30, 2013	\$ 826,493	\$ 956,195	\$ 1,782,688

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Nine months ended September 30, 2013 and 2012

4. Property, plant and equipment (continued)

	Land	Building, Field Equipment and Others	Total
At September 30, 2013:			
Cost	\$ 826,493	\$ 3,145,386	\$ 3,971,879
Accumulated depreciation	-	(2,189,191)	(2,189,191)
Closing Net Book Value at September 30, 2013	\$ 826,493	\$ 956,195	\$ 1,782,688

All depreciation charges during the nine months ended September 30, 2013 and 2012 were included in exploration and evaluation assets.

5. Convertible debenture, promissory note and senior secured notes

(a) Convertible debenture

On June 8, 2011, AGC completed the purchase of a portion of the Monarch Property for \$3,075,000. To assist in financing the purchase, the Company borrowed \$3 million by way of a secured non-interest bearing bridge loan (the "Bridge Loan"). The Bridge Loan was due in January 2012, and was repaid 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.

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 Monarch 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.

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Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Nine months ended September 30, 2013 and 2012

5. Convertible debenture, promissory note and senior secured notes (continued)

(a) Convertible debenture (continued)

After the first anniversary of the issue date, 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 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 Atlanta 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 the lender's put options. The principal face value of the convertible debenture was allocated between the following components: warrants, conversion options classified as equity, host debt classified as a non-current liability with accretion interest charged to the statement of loss and comprehensive loss and the embedded derivative (combination of the borrower's redemption option and the lender's put option) recorded as a non-current liability in the statement of financial position.

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: historical stock price, volatility of the stock return adjusted to reflect the actual implied stock volatility, Canadian dollar discount curve, bond discount curve and the number of outstanding number shares of the Company.

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, AGC 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 September 30, 2013. Interest is payable on a monthly basis and is capitalized as property, plant and equipment.

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Nine months ended September 30, 2013 and 2012

5. Convertible debenture, promissory note and senior secured notes (continued)

(c) Senior secured notes

On August 19, 2013, the Company completed the private placement of Units consisting of senior secured notes ("Notes") and common share purchase warrants ("Warrants"). The Company issued \$4 million principal amount Notes and 4,000,000 Warrants, for gross proceeds of \$4,000,000.

The Notes bear interest at 10% per annum and the principal will be amortized at 25%, 35% and 40%, which will be repayable in cash installments on August 31, 2014, August 31, 2015 and August 31, 2016, respectively. The Notes are secured by the limited recourse guarantee of the Company's subsidiary AGC and by a mortgage of AGC's interest in its Atlanta Project.

Each Warrant entitles the holder to purchase one common share of the Company for C\$0.10 per share until August 31, 2016. 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.

Noteholders received options exercisable until August 31, 2016 to purchase an aggregate of 95.0 troy ounces of gold at \$1,125 per ounce for each 100,000 Units purchased (\$100,000). The options to purchase gold vest as to 25% on August 31, 2014, 35% on August 31, 2015 and 40% on August 31, 2016.

The Notes involve three components: host debt, warrants and gold options. The principal face value was allocated as follows on August 19, 2013 ("Measurement date"):

- (i) Warrants (4,000,000 units) were valued at \$87,402 (C\$90,394) using the Black Scholes option pricing model with the following assumptions adopted at the Measurement date:

Risk-free interest rate	1.67%
Expected life	3 years
Estimated volatility in the market price of the common shares	139.8%
Dividend yield	Nil

- (ii) Gold options were valued at \$881,844 in total at the Measurement date and classified as the Company's current liabilities of \$131,416 and non-current liabilities of \$750,428. The Black Scholes option pricing model was used to value the gold options assuming that 25% of the total gold options will be exercised on August 31, 2014, 35% on August 31, 2015 and 40% on August 31, 2016.

Exercise date	On or after August 31, 2014	On or after August 31, 2015	On August 31, 2016
Number of Gold Options	950	1,330	1,520
Risk-free interest rate	1.67%	1.67%	1.67%
Expected life	1 year	2 years	3 years
Estimated volatility in the market price of gold	19.8%	21.3%	19.5%
Dividend yield	Nil	Nil	Nil
Probability of exercise	50%	75%	80%

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5. Convertible debenture, promissory note and senior secured notes (continued)

(c) Senior secured notes (continued)

(iii) The residual value of the host debt was \$3,030,754 which was recorded as a current liability of \$846,734 and a non-current liability of \$2,184,020 at its initial fair value at the date of inception as of August 19, 2013 and subsequently measured at amortized costs as at September 30, 2013. Accretion interest of \$5,118 on the debt was charged to statement of loss and comprehensive loss.

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.

6. Warrants and stock options

(a) 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, 2012	105,202,645	4,347,039	0.15
Finance costs paid by issuance of shares allocated to warrants	-	(44,907)	-
Warrants expired	(33,563,369)	(2,247,482)	0.24
Outstanding at September 30, 2012	71,639,276	2,054,650	0.11
Warrants issued on issuance of shares for cash	25,733,333	190,717	0.08
Compensation warrants issued on issuance of shares for cash	1,256,266	2,571	0.10
Warrants expired	(300,000)	(2,469)	0.12
Outstanding as at December 31, 2012	98,328,875	2,245,469	0.10
Warrants issued with senior secured notes (note 5(c))	4,000,000	88,324	0.10
Warrants expired	(35,714,276)	(1,290,881)	0.11
Outstanding as at September 30, 2013	66,614,599	1,042,912	0.10

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Nine months ended September 30, 2013 and 2012

6. Warrants and stock options (continued)

(c) Warrants (continued)

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 nine months ended September 30, 2013, 35,714,276 warrants issued in 2010 and 2011, and having a fair value at date of grant of \$1,290,881 expired unexercised. In the third quarter of 2013, 4,000,000 warrants having a fair value at date of grant of \$88,324 were issued with the weighted average exercise price of C\$0.10. The weighted average exercise price of the warrants issued and outstanding on September 30, 2013 was C\$0.11. During the nine months ended September 30, 2012, 33,563,369 warrants issued in 2010 and 2011, and having a fair value at date of grant of \$2,247,482 expired unexercised. The weighted average exercise price of the warrants issued and outstanding on September 30, 2012 was C\$0.11.

(b) Stock options

	Number of Shares	Weighted Average Exercise Price C\$
Outstanding as at January 1, 2012	6,420,000	0.35
Options expired or cancelled	(1,100,000)	0.18
Outstanding as at September 30, 2012	5,320,000	0.38
Options granted	360,000	0.12
Options expired or cancelled	(245,000)	0.36
Outstanding as at December 31, 2012	5,435,000	0.36
Options expired or cancelled	(1,330,000)	0.63
Outstanding as at September 30, 2013	4,105,000	0.28
Exercisable at September 30, 2013	4,105,000	0.28

4,105,000 of the stock options outstanding as at September 30, 2013, having a weighted average price of C\$0.28 per share are all vested and exercisable immediately. All stock options expire between February 2014 and September 2015. During the nine months ended September 30, 2013, 1,330,000 (September 30, 2012 – 1,100,000) stock options granted to consultants and employees expired. 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 11 months (September 30, 2012 – 18 months).

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(Unaudited - Expressed in U.S. Dollars)

Nine months ended September 30, 2013 and 2012

6. Warrants and stock options (continued)

(b) Stock options (continued)

<u>Expiry Date</u>	<u>Number of Stock Options</u>	<u>Exercise Price C\$</u>
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 September 30, 2013	4,105,000	0.28

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 September 30, 2013 expire at various dates until September 27, 2015. During the nine months ended September 30, 2013, the Company charged a stock-based compensation expense of \$557 (September 30, 2012 - \$12,702 expensed and \$5,764 capitalized).

The Company did not grant any stock options during the nine months ended September 30, 2013 and 2012.

7. Loss per share

Basic loss per share

The calculation of basic loss per share for the nine months ended September 30, 2013 was based on the loss attributable to common shareholders of \$1,656,731 (September 30, 2012 - loss of \$3,363,600), and a weighted average number of common shares outstanding of 253,441,565 (September 30, 2012 - 197,233,330).

Diluted loss per share

Stock options and warrants have not been included in the calculation of diluted loss per share for the nine months ended September 30, 2013 and 2012, 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.

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8. Related party transactions

The remuneration of key management personnel during the nine months ended September 30, 2013 was \$400,878 (September 30, 2012 - \$360,573), of which \$197,794 (December 31, 2012 - Nil) remains unpaid. This amount is unsecured, non-interest bearing and has no fixed terms of repayment.

At September 30, 2013, the Company owed a director \$279,249 (December 31, 2012 - the Company owed a shareholder and the same director \$110,255) for the purchase of equipment. This amount is evidenced by a demand promissory note at interest rate of 6% per annum and secured on the equipment purchased.

The Company also incurred \$45,282 in consulting fees for services provided by a Director for the period from January 16, 2012 to June 30, 2013.

All transactions with related parties are in the normal course of business and are measured at fair value.

9. Rehabilitation provisions

The total future costs to reclaim exploration and evaluation assets are estimated by management based on the Company's ownership interest in the 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, 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
Balance as at January 1, 2013	\$ 300,000	\$ 1,696,489	\$ 1,996,489
Change during the nine months	(85,000)	-	(85,000)
Balance as at September, 2013	\$ 215,000	\$ 1,696,489	\$ 1,911,489
Current	\$ 215,000	\$ 523,839	\$ 738,839
Long-term	\$ -	\$ 1,172,650	\$ 1,172,650

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10. Commitments and contingencies

As at September 30, 2013, the Company had accrued current rehabilitation provisions of \$738,839 (December 31, 2012 - \$523,839) and accrued non-current rehabilitation provisions of \$1,172,650 (December 31, 2012 - \$1,472,560) relating to reclamation of the properties in the United States and Canada. These amounts represent 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 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. In addition, the Decision, as subsequently amended, ordered AGC to implement measures to come into compliance with the National Pollutant Discharge Elimination System ("NPDES") Permit by December 15, 2012. Initial results from the pilot water treatment facility ("PWTF"), including weekly water sampling and independent lab analysis, demonstrate that PWTF is currently removing better than 99.9% of the arsenic, and approximately 99% of the iron from the water prior to discharge into Montezuma Creek. 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.

In September 2013, the Court entered a final judgement in this matter. The judgment required AGC to pay \$50,000 on or before August 22, 2013, which payment was made by AGC. In addition, AGC is required to pay \$25,000 per quarter for the first year, with the initial installment due on December 31, 2013; \$75,000 per quarter for the second year; \$100,000 per quarter for the third, fourth and fifth years; and a balloon payment in the amount of \$450,000 due September 30, 2018, at which time the penalty will be paid in full. The penalty amount bears interest at a rate of 0.1% per annum from November 28, 2012 and will be secured by recording the Consent Judgment against AGC's East Amity Road property located in Boise, Idaho and by a security interest, granted to the U.S. Attorney's office, in four generators owned by AGC located on the East Amity property.

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 cost is \$240,000. AGC paid the first three installments of \$60,000 each on December 15, 2012, April 15, 2013 and September 10, 2013 respectively, and the remaining \$60,000 is to be paid in the fourth quarter of 2013.