ATLANTA GOLD INC.

Atlanta Gold Inc.

Condensed Interim Consolidated Financial Statements

March 31, 2015

(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.

June 1, 2015

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

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 11,963**	$ 24,354
Marketable securities	**43,876**	79,843
Recoverable taxes	**11,650**	10,609
Prepaid expenses	**46,384**	62,416
	113,873	177,222
Exploration and evaluation assets (note 3)	**45,996,900**	45,821,963
Property, plant and equipment (note 4)	**1,424,768**	1,577,266
	$ 47,535,541	$ 47,576,451
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	**$ 1,943,422**	$ 1,868,670
Penalty payable to U.S. Treasury (note 10)	**1,850,000**	1,850,000
Promissory note (note 5(b))	**424,717**	424,717
Senior secured notes - current (note 5(c))	**1,000,000**	1,000,000
Shareholders' loans (note 8)	**1,029,221**	986,275
Convertible debenture (note 5(a))	**2,368,500**	2,586,000
Convertible debenture - embedded derivatives (note 5(a))	**239,579**	261,580
Convertible loan (note 5(d))	**611,059**	540,140
Convertible loan - embedded derivatives (note 5(d))	**111,459**	111,461
Rehabilitation provisions (notes 9 and 10)	**259,060**	264,141
	9,837,017	9,892,984
Non-current liabilities		
Rehabilitation provisions (notes 9 and 10)	**965,000**	965,000
Senior secured notes (note 5(c))	**3,199,063**	3,204,065
	$ 14,001,080	$ 14,062,049

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 Financial Position (continued)
(Unaudited - Expressed in U.S. Dollars)

	March 31, 2015	December 31, 2014
EQUITY		
Capital stock (note 6)	**$ 89,671,149**	$ 89,671,149
Warrants	**1,000,109**	1,000,109
Contributed surplus	**9,927,722**	9,927,722
Accumulated deficit	**(54,038,550)**	(59,078,815)
Accumulated other comprehensive loss	**(13,025,969)**	(8,005,763)
	33,534,461	33,514,402
	$ 47,535,541	$ 47,576,451

Nature of operations and going concern (note 1)
Commitments and contingencies (note 10)
Subsequent events (note 11)

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 (Income) Loss and Comprehensive Loss

(Unaudited - Expressed in U.S. Dollars)

Three Months Ended March 31, 2015 and 2014

	March 31, 2015	March 31, 2014
General and administrative expenses:		
Professional fees	**$ 44,152**	$ 72,978
Salaries and management fees (note 8)	**26,577**	30,624
Administrative and office	**17,980**	29,314
Investor relations	**18,137**	29,470
Travel and accommodation	**313**	83
	107,159	162,469
Exploration and evaluation expense	**463**	975
	107,622	163,444
Finance items:		
Finance costs	**159,044**	138,014
Unrealized loss on marketable securities	**29,851**	-
Accretion of convertible debenture, senior secured notes and convertible loan (notes 5(a)(c)(d))	**103,110**	184,634
Financial assets at fair value through profit or loss - Gold options (notes 5(c)(d))	**(42,078)**	81,245
Gain from foreign currency transactions	**(5,397,814)**	(2,134,750)
	(5,147,887)	(1,730,857)
Net (income) loss	**(5,040,265)**	(1,567,413)
Other comprehensive loss		
Items that may subsequently be reclassified through profit and loss		
Foreign currency translation adjustment	**5,020,206**	2,030,014
Net (income) loss and comprehensive (income) loss for the period	**$ (20,059)**	$ 462,601
Weighted average number of consolidated shares outstanding (note 7)		
Basic	**266,048,257**	257,041,565
Diluted	**308,888,257**	287,041,565
Net (income) per share (note 7)		
Basic	**$ (0.02)**	$ (0.01)
Diluted	**$ (0.02)**	$ (0.01)

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)
Three Months Ended March 31, 2015 and 2014

	March 31, 2015	March 31, 2014
Cash provided by (used in)		
Operating activities:		
Net income for the period	**$ 5,040,265**	$ 1,567,413
Add (deduct) items not involving cash:		
Unrealized loss on marketable securities	**29,851**	-
Finance costs	**158,350**	-
Financial assets at fair value through profit or loss		
- Gold options (notes 5(c)(d))	**(42,078)**	81,245
Accretion of convertible debenture and senior secured notes (notes 5(a)(c)(d))	**103,110**	184,634
Foreign exchange	**(5,764,648)**	(2,102,950)
Net change in non-cash working capital	**362,627**	(11,117)
Net cash used in operating activities	**(112,523)**	(280,775)
Financing activities:		
Loans from shareholders	**76,012**	266,962
Promissory notes	**-**	20,000
Net cash from financing activities	**76,012**	286,962
Investing activities:		
Exploration and evaluation asset	**(15,599)**	(255,188)
Payment of rehabilitation provisions	**-**	(56,129)
Property, plant and equipment	**39,719**	(191,861)
Net cash used in investing activities	**24,120**	(503,178)
Increase (Decrease) in cash and cash equivalents	**(12,391)**	(496,991)
Cash and cash equivalents, beginning of period	**24,354**	721,412
Cash and cash equivalents, end of period	**$ 11,963**	$ 224,421
Interest paid	**$ 279**	$ 271

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 (continued)
(Unaudited - Expressed in U.S. Dollars)
Three Months Ended March 31, 2015 and 2014

	March 31, 2015	March 31, 2014
Net change in non-cash working capital items		
Recoverable taxes	**$ (1,041)**	$ 1,737
Prepaid expenses	**16,032**	3,045
Accounts payable and accrued liabilities	**347,636**	59,101
Penalty payable to U.S. Treasury	**-**	(75,000)
	$ 362,627	$ (11,117)
Significant non-cash financing and investing activities		
Capitalized depreciation (note 4)	**$ 112,779**	$ 112,108

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)
Three Months Ended March 31, 2015 and 2014

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance - January 1, 2014	257,041,565	$ 89,340,632	$ 910,205	$ 10,017,626	$(61,362,397)	$ (3,421,484)	$ 35,484,582
Net income for the period	-	-	-	-	1,567,413	-	1,567,413
Foreign currency translation adjustment	-	-	-	-	-	(2,030,014)	(2,030,014)
Balance - March 31, 2014	257,041,565	$ 89,340,632	$ 910,205	$ 10,017,626	$(59,794,984)	$ (5,451,498)	$ 35,021,981
Shares issued in satisfaction of senior secured notes interest - at C$0.05 per common share	9,006,692	330,517	-	-	-	-	330,517
Warrants extension	-	-	89,904	(89,904)	-	-	-
Net income for the period	-	-	-	-	716,169	-	716,169
Foreign currency translation adjustment	-	-	-	-	-	(2,554,265)	(2,554,265)
Balance - December 31, 2014	266,048,257	$ 89,671,149	$ 1,000,109	$ 9,927,722	$(59,078,815)	$ (8,005,763)	$ 33,514,402

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 (continued)
(Unaudited - Expressed in U.S. Dollars, except for shares and per share amounts)
Three Months Ended March 31, 2015 and 2014

	Number of Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance - January 1, 2015	266,048,257	$ 89,671,149	$ 1,000,109	$ 9,927,722	$(59,078,815)	$ (8,005,763)	$ 33,514,402
Net income for the period	-	-	-	-	5,040,265	-	5,040,265
Foreign currency translation adjustment	-	-	-	-	-	(5,020,206)	(5,020,206)
Balance - March 31, 2015	266,048,257	$ 89,671,149	$ 1,000,109	$ 9,927,722	$(54,038,550)	$(13,025,969)	$ 33,534,461

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

1. Nature of operations and going concern

Atlanta Gold Inc. (the "Company") was incorporated on March 6, 1985 under the laws of British Columbia and continued into Ontario on March 15, 2000. The Company is domiciled in Canada and its registered head office is 5600 – First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1C9. Its common shares are listed on the TSX Venture Exchange (the "Exchange") trading under the symbol "ATG", and on the OTC Pink Market 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 sold its Québec gold properties in November 2014. Other than completion of the second phase of a restoration program on a previously owned property of the Company located on Baffin Island which is expected to be completed in 2016, no further work is planned in these areas and as a result the carrying values were previously written off. The Company is the assignee of a leased interest in 5 patented lode claims known as the Neal Property located in Idaho, U.S.A.

Recoverability of exploration and evaluation 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 March 31, 2015, the Company had a deficit of $54,038,550, no source of operating cash flows and reported a net income of $5,040,265 for the three months ended March 31, 2015. The Company's current liabilities exceeded its current assets by $9,723,144 as of March 31, 2015. The holder of the Company's convertible debenture called for its repayment effective December 2014. On December 19, 2014, the Company reached a forbearance agreement with the holder until January 31, 2015 and subsequently the forbearance agreement was extended to March 1, 2015 and March 31, 2015. On April 1, 2015, the Company negotiated a refinancing agreement with the lender, and completion of such refinancing remains subject to the Exchange and shareholders' approval. The Company's wholly owned subsidiary, Atlanta Gold Corporation ("AGC"), failed to make environmental penalty payments due on December 31, 2014 and March 31, 2015 on time. United States Attorney may potentially enforce proceedings against AGC for collection of the judgment. 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 settle its existing liabilities and to complete its planned exploration and evaluation 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.

(Unaudited - Expressed in U.S. Dollars)

2. Basis of preparation

(i) Basis of presentation and measurement

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). 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, 2014 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, 2014.

These unaudited condensed interim consolidated financial statements were approved by the board of directors for issue on June 1, 2015.

(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 for the year ended December 31, 2014.

3. Exploration and evaluation assets

Balance at January 1, 2014:	$ 44,274,702
Additions	367,297
Balance at March 31, 2014	44,641,999
Additions	1,179,964
Balance at December 31, 2014	45,821,963
Additions	174,937
Balance at March 31, 2015	**$ 45,996,900**

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 transferred its 20% participating interest in the joint venture to AGC, and retained a 2% NSR royalty (the "Royalty") on Atlanta. In September 2009, the Company purchased one-half of the Royalty (1%) from CAMC.

3. 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, with the purchase completed in June 2011. 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 March 31, 2015, 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 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 March 31, 2015, advance royalty payments of $208,500 (December 31, 2014 - $208,500) have been made and will be deducted from any future royalty payments to F. C. Gardner.

(d) Hollenbeck Properties LLC
AGC leases 10 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease expired on November 14, 2014 and in May 2015 the lease term was renewed to November 14, 2015. The Company is in the process of negotiating the purchase of the properties. Lease payments of $10,000 per year are treated as minimum advance royalties. If this property goes into commercial production, then the annual minimum advance royalty will be $20,000. If it is mined, Hollenbeck will receive a 4.25% NSR, from which all advance royalty payments shall be deducted. As at March 31, 2015, advance royalty payments of $312,500 (December 31, 2013 - $312,500) 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 royalty payments payable on production. As at March 31, 2015, advance royalty payments totaling $2,021,000 (December 31, 2014 - $2,021,000) will be deducted from any future royalty payments to lessors / royalty holders.

Neal Property, Idaho, U.S.A.

AGC is the assignee of a five-year lease of 5 patented claims known as the Neal Property from Knife River Corporation, which will conduct the excavation and delivery of materials from the Property on AGC's behalf. AGC has also staked 7 contiguous claims. In addition to the contract mining and transportation costs payable to Knife River, AGC is responsible for payment of a $3 per dry ton tonnage royalty and a 3% net smelter return royalty payable to the owner of the Neal Property.

(Unaudited - Expressed in U.S. Dollars)

4. Property, plant and equipment

	Land	Building, Field Equipment and Other	Total
At January 1, 2014:			
Cost	$ 833,969	$ 3,252,904	$ 4,086,873
Accumulated depreciation	-	(2,300,958)	(2,300,958)
Opening Net Book Value at January 1, 2014	833,969	951,946	1,785,915
Year ended December 31, 2014:			
Opening Net Book Value at January 1, 2014	833,969	951,946	1,785,915
Additions	59,826	132,035	191,861
Depreciation	-	(112,108)	(112,108)
Closing Net Book Value at March 31, 2014	893,795	971,873	1,865,668
Additions	22,728	178,813	201,541
Disposals	-	(170,000)	(170,000)
Depreciation	-	(319,943)	(319,943)
Closing Net Book Value at December 31, 2014	$ 916,523	$ 660,743	$ 1,577,266
At January 1, 2015:			
Cost	$ 916,523	$ 3,393,752	$ 4,310,275
Accumulated depreciation	-	(2,733,009)	(2,733,009)
Opening Net Book Value at January 1, 2015	916,523	660,743	1,577,266
Three months ended March 31, 2015:			
Opening Net Book Value at January 1, 2015	916,523	660,743	1,577,266
Additions	7,476	10,599	18,075
Disposals	-	(76,552)	(76,552)
Depreciation	-	(94,021)	(94,021)
Closing Net Book Value at March 31, 2015	$ 923,999	$ 500,769	$ 1,424,768
At March 31, 2015:			
Cost	$ 923,999	$ 3,327,799	$ 4,251,798
Accumulated depreciation	-	(2,827,030)	(2,827,030)
Closing Net Book Value at March 31, 2015	**$ 923,999**	**$ 500,769**	**$ 1,424,768**

4. Property, plant and equipment (continued)

All depreciation charges during the three months ended March 31, 2015 and 2014 were capitalized to exploration and evaluation assets.

As of March 31, 2015, AGC's East Amity Road property located in Boise, Idaho, four generators located on the same property and an excavator have security interests against them (notes 8 and 10).

5. Convertible debenture, promissory note, senior secured notes and convertible loan

(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 (the "Issue Date"), 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 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.

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, which includes the Company's Senior Secured Notes. AGC has provided a guarantee of the Debenture, with recourse under the guarantee limited to a mortgage on the Monarch Property (Note 3(a)). 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 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 has 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.

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

(a) Convertible debenture (continued)

On December 14, 2011, 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 Atlanta 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 option. The principal face value was allocated as follows:

i) Warrants (30,000,000 units) valued at C$673,593.

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.

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 cost as of March 31, 2015. The holder of the debenture requested that the Company redeem the debenture on December 15, 2014, so the amortized cost was recorded at its face value of $2,368,500 (C$3,000,000) as at March 31, 2015 (December 31, 2014 - $2,586,000 (C$3,000,000)). The accretion interest has been charged to statement of (income) loss and comprehensive loss.

iv) The embedded derivatives (i.e. combination of the borrower's redemption option and the lender's put option) of C$459,877 was recognized on the date of issue and presented as non-current liability in the statement of financial position. As of March 31, 2015 the fair value of the embedded derivatives was $239,579 (C$303,457) (December 31, 2014 - $261,580 (C$303,457)).

The amounts allocated to warrants and conversion options were done on a residual basis.

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 as at the valuation date of C$0.03
ii) Volatility of the stock return adjusted to reflect the actual implied stock volatility of 93.68%
iii) Canadian dollar discount curve
iv) Bond discount curve
v) Outstanding number of shares of the Company as at the valuation date of 193,890,039

Interest rates

The convertible debenture is subject to a 6% interest rate until the maturity date.

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

(a) Convertible debenture (continued)

By notice dated August 25, 2014, CCM requested that the Company redeem the convertible debenture on December 15, 2014, in accordance with the debenture's early redemption provisions.

On April 1, 2015, the Company reached agreement with CCM to refinance the convertible debenture. Under the terms of the refinancing agreement, principal and accrued interest on the debenture totaling C$3,250,000 will be satisfied by the issuance to CCM of an amended and restated convertible debenture in the principal amount of C$1,500,000 and the issuance to CCM of the Company's Senior Secured Notes ("Notes") in the principal amount of $1,500,000. The amended and restated debenture will bear interest of 10% per annum and mature April 1, 2018. The amended and restated debenture will be convertible at CCM's option following completion by the Company of a one-for-ten consolidation of its common shares at a conversion price equal to the lesser of C$0.17, and the 30-trading day average of the closing prices immediately following the commencement of trading of the Company's shares on the Exchange on a consolidated basis, provided that the conversion price will not be less than C$0.10 per share.

The Notes to be issued to CCM pursuant to the refinancing will have the same terms and conditions as the Company's outstanding $4 million principal amount Notes, which were issued in August 2013. (Note 5(c)) The Notes bear interest at 10% per annum and are secured by the limited recourse guarantee of AGC, and by a first mortgage of AGC's interest in its Atlanta Project. The maturity date of the outstanding Notes will be extended by one year to August 31, 2018 and all of the Notes will be repayable in cash installments at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively. CCM will also receive an option exercisable until August 31, 2018 to purchase an aggregate of 1,567.5 troy ounces of gold at $1,100 per ounce (being 104.5 troy ounces for each $100,000 principal amount Notes), with the option vesting at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively. The Company's outstanding gold options previously issued with the Notes in August 2013 will be amended to have the same terms and conditions as the gold options being issued to CCM.

A 2% refinancing fee will be paid by the Company in connection with the transactions.

Completion of the refinancing transactions is subject to the approval of the Exchange. Completion of the share consolidation and the issuance of the amended and restated debenture are subject to shareholders' approval, which will be sought at the Company's annual and special meeting of shareholders to be held on June 24, 2015.

(b) Promissory note

On August 4, 2011, AGC financed the acquisition of the East Amity Road Property 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. On March 5, 2014, the maturity date of the promissory note was extended to July 22, 2015 with all the other terms and conditions remaining the same. The promissory note was carried at its initial fair value which was subsequently measured at its amortized cost as of March 31, 2015. Interest is payable on a monthly basis.

5. Convertible debenture, promissory note, senior secured notes and convertible loan (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 of 10% per annum and under the original terms, the principal amortized at 25%, 35% and 40%, was 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 by AGC, and by a mortgage of AGC’s interest in the 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 Exchange exceeds C$0.25 for 20 consecutive days on which the Company’s shares trade.

Note holders 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 at 25% on August 31, 2014, 35% on August 31, 2015 and 40% on August 31, 2016.

On August 26, 2014, the terms of the Notes were amended. The repayment dates were extended by one year, such that the principal amount of the Notes, amortized at 25%, 35% and 40%, will be repayable in cash installments on August 31, 2015, August 31, 2016 and August 31, 2017, respectively and interest accrued on the Notes to August 31, 2014 was satisfied by the issuance of common shares of the Company, at the rate of one common share for each C$0.05 of accrued interest, which resulted in the issuance of 9,006,692 common shares.

Holders of the Notes who consented to the amendments thereto had the expiry date of their Warrants extended to August 31, 2017. The Company retains the right to accelerate the expiry date of the Warrants if the closing price of the Company’s common shares on the Exchange exceeds C$0.25 for 20 consecutive days on which the Company’s shares trade. Holders of Notes who consented to the amendments thereto had the number of ounces purchasable under their gold options increased by 10% and had the expiry date of their gold options extended to August 31, 2017. Subsequent to March 31, 2015, the terms of the Notes and accompanying gold options were further amended. (Note 11)

(Unaudited - Expressed in U.S. Dollars)

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

(c) Senior secured notes (continued)

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 $45,121 (C$47,946) using a model based on a binomial pricing model with the key inputs as follows:

Stock price at date of issue	C$0.03
Estimated volatility in the market price of the common shares	90.44%
Shares outstanding on date of issue	253,441,565

(ii) Gold options were originally valued at $841,307 in total at the Measurement date and subsequently valued at fair market value to reflect the amended terms of the gold options. 25% of the total gold options will vest on August 31, 2015, 35% on August 31, 2016 and 40% on August 31, 2017. The key inputs on the gold options are gold price, convenience yield of gold and implied volatility of gold. The fair value of the gold options was valued at $542,289 as at March 31, 2015 (December 31, 2013 - $584,366).

(iii) The residual value of the host debt was $3,110,747 which was recorded as a current liability of $778,393 and a non-current liability of $2,335,179 at its initial fair value at the date of inception as of August 19, 2013 and subsequently measured at amortized costs as at March 31, 2015. The amortized costs of the host debt were $3,656,836 which was recorded as a current liability of $1,000,000 and a non-current liability of $2,656,836 as at December 31, 2014. (December 31, 2014 - host debt of $3,619,699 including current liability of $1,000,000 and non-current liability of $2,619,699)

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 options.

(d) Convertible loan

On June 11, 2014, the Company borrowed $600,000 by means of a convertible loan. The loan is unsecured and non-interest bearing and is to be repaid by delivery to the lender of 1,000 troy ounces of gold (or the cash equivalent thereof) payable in installments over an 18-month period. The loan is convertible at the lender’s election into common shares at a conversion price of C$0.05 per share during the initial 12 months and at C$0.10 per share thereafter. The lender also received a 5-year option to purchase, solely from gold produced from AGC's Neal Property, up to 2,500 ounces of gold at $1,400 per ounce.

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

(d) Convertible loan (continued)

The loan involves three components: host debt, embedded derivatives and gold options. The three components are valuated at fair market value on June 11, 2014 (“Measurement date”) as follows:

(i) The host debt at the measurement date was valued at $182,321. The value of the host debt at March 31, 2015 is $402,152 (December 31, 2014 is $336,203).

(ii) Embedded derivatives, including the conversion option, call option and gold forward were valued at $184,629 at the Measurement date. These features were valued together as their values are interdependent. The values of the embedded derivatives at March 31, 2015 is $111,461 (December 31, 2014 is $111,461).

(iii) Gold options were valued at $233,050 in total at the Measurement date. The key inputs on the gold options are gold price, risk-free interest rate and implied volatility of gold. The value of the gold options at March 31, 2015 is $203,937 (December 31, 2014 is $203,937).

Option pricing models require the input of highly subjective assumptions including the expected gold 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 options.

6. Share capital

As at March 31, 2015 and December 31, 2014 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.

7. Income per share

Basic income per share

The calculation of basic income per share for the three months ended March 31, 2015 was based on the income attributable to common shareholders of $5,040,265 (March 31, 2014 - $1,567,413), and a weighted average number of common shares outstanding of 266,048,257 (March 31, 2014 - 257,041,565).

Diluted income per share

The calculation of diluted income per share for the three months ended March 31, 2015 was based on the income attributable to common shareholders of $5,040,265 (March 31, 2014 - $1,567,413), and a weighted average number of common shares outstanding of 308,888,257 (March 31, 2014 - 287,041,565).

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.

(Unaudited - Expressed in U.S. Dollars)

8. Related party transactions

The remuneration of key management personnel during the three months ended March 31, 2015 was $134,813 (March 31, 2014 - $152,998), of which one-half of a senior officer's salary was unpaid and accrued at March 31, 2015. The Company had accrued $338,035 of a senior officer's salary including $317,308 of principal accrued for 2013, 2014 and the first quarter of 2015 and $20,727 of interest. At December 31, 2014, $314,029 was accrued for one-half of two senior officers' salaries including $298,764 of principal accrued for 2013 and 2014 and $15,265 of interest. This amount is unsecured and has no fixed terms of repayment. The interest rate is 7% per annum on unpaid remuneration.

At March 31, 2015, Shareholders' loans of $1,029,221 (December 31, 2014 - $986,275) were payable to various directors and shareholders of the Company. Of the total amount, $299,063 (December 31, 2014 - $294,250) was owed to a director for the purchase of equipment and it was evidenced by demand promissory notes bearing interest of 7% per annum and was secured against the equipment purchased (note 4). The remaining shareholder loans of $730,158 (December 31, 2014 - $692,025) were from directors and shareholders. The loans bear interest of 8% per annum and are repayable on demand.

All transactions with related parties are in the normal course of business.

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 Atlanta and its previous ownership interest in 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, 2014	$ 202,144	$ 1,324,000	$ 1,526,144
Change during the year			
Paid out	(152,528)	(54,718)	(207,246)
Change of estimate	10,724	(100,481)	(89,757)
Balance as at December 31, 2014	$ 60,340	$ 1,168,801	$ 1,229,141
Current	**$ 60,340**	**$ 203,801**	**$ 264,141**
Long-term	**$ -**	**$ 965,000**	**$ 965,000**

	Baffin Island Property	Atlanta Gold Property	Total
Balance as at January 1, 2015	$ 60,340	$ 1,168,801	$ 1,229,141
Change during the period			
Change of estimate	(5,081)	-	(5,081)
Balance as at March 31, 2015	$ 55,259	$ 1,168,801	$ 1,224,060
Current	**$ 55,259**	**$ 203,801**	**$ 259,060**
Long-term	**$ -**	**$ 965,000**	**$ 965,000**

(Unaudited - Expressed in U.S. Dollars)

9. Rehabilitation provisions (continued)

A provision is recognized for the present value of costs to be incurred for the restoration of the Baffin Island Property and the 900 adit at Atlanta. It is expected that $259,060 will be used within one year and $965,000 in the year after. As at March 31, 2015, total expected costs to be incurred are $1,224,060 (December 31, 2014 - $1,229,141).

10. Commitments and contingencies

As at March 31, 2015, the Company had accrued current rehabilitation provisions of $259,060 (December 31, 2014 - $264,141) and accrued non-current rehabilitation provisions of $965,000 (December 31, 2014 - $965,000) 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 was 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.

In September 2013, the Court entered a final judgment in this matter pursuant to which the penalty would be paid over a five-year period, with the quarterly installments increasing in size annually to a maximum of $100,000 per quarter beginning in the third year and a balloon payment in the amount of $450,000 to be due September 30, 2018. AGC has made aggregate payments to date of $200,000 and payments of an additional $350,000 are to be made during 2015. As of the date hereof, AGC is $100,000 in arrears of its payment schedule. The penalty amount bears interest at a rate of 0.1% per annum from November 28, 2012 and is 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. (note 4)

Penalty incurred	$2,000,000
Payments made during 2013	$75,000
Payments made during 2014	75,000
Payments due in 2014 paid in May 2015	50,000
Payments due in 2014 to be paid in the remaining of 2015	25,000
Payments due in 2015	325,000
Payments due in 2016	400,000
Payments due in 2017	400,000
Payments due in 2018	650,000
Total	$2,000,000

11. Subsequent events

On April 1, 2015, the Company reached agreement with CCM to refinance the C$3 million convertible debenture. CCM had previously requested that the debenture be redeemed by the Company in accordance with the debenture's early redemption provisions. Under the terms of the refinancing agreement, principal and accrued interest on the debenture totaling C$3,250,000 will be satisfied by the issuance to CCM of an amended and restated convertible debenture in the principal amount of C$1,500,000 and the issuance to CCM of the Company's Notes in the principal amount of $1,500,000. The amended and restated debenture will bear interest of 10% per annum and mature April 1, 2018. The amended and restated debenture will be convertible at CCM's option following completion by the Company of a one-for-ten consolidation of its common shares at a conversion price equal to the lesser of C$0.17, and the 30-trading day average of the closing prices immediately following the commencement of trading of the Company's shares on the Exchange on a consolidated basis, provided that the conversion price will not be less than C$0.10 per share.

The Notes to be issued to CCM pursuant to the refinancing will have the same terms and conditions as the Company's outstanding $4 million principal amount Notes, which were issued in August 2013. The Notes bear interest at 10% per annum and are secured by the limited recourse guarantee of AGC, and by a first mortgage of AGC's interest in its Atlanta Project. The maturity date of the outstanding Notes will be extended by one year to August 31, 2018 and all of the Notes will be repayable in cash installments at the rate of 25%, 35% and 40% on August 31st of 2016, 2017 and 2018, respectively. CCM will also receive an option exercisable until August 31, 2018 to purchase an aggregate of 1,567.5 troy ounces of gold at $1,100 per ounce (being 104.5 troy ounces for each $100,000 principal amount Notes), with the option vesting at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively. The Company's outstanding gold options previously issued with the Notes in August 2013 will be amended to have the same terms and conditions as the gold options being issued to CCM.

Completion of the refinancing transactions is subject to the approval of the Exchange. Completion of the share consolidation and the issuance of the amended and restated debenture are subject to shareholders' approval, which will be sought at the Company's annual and special meeting of shareholders to be held on June 24, 2015.

In April 2015, the holder of the Notes who did not consent to the amendments in August 2014 had the term of its warrants extended to August 31, 2017, the number of ounces purchasable under its gold options increased by 10% and the expiry date of its gold options extended to August 31, 2017, so as to correspond to the amendments made to the warrants and gold options held by the remaining holders of Notes. (Note 5(c))

On May 11, 2015, the Company issued a Note in the principal amount of $600,000 to CCM. The Note has the same terms and conditions as the Company's outstanding Notes in the principal amount of $4 million, which were issued in August 2013. (Note 5(c))

CCM also received an option, exercisable until August 31, 2018, to purchase an aggregate of 627 troy ounces of gold at $1,100 per ounce (being 104.5 troy ounces for each $100,000 principal amount Note), with the option vesting at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively. The Company's outstanding gold options previously issued with the Notes in August 2013 were amended to have the same terms and conditions as the gold options being issued to CCM.

The Company has also received the approval from a majority of holders of Notes to extend the maturity date of the Notes by one year to August 31, 2018 and to amend the principal repayment dates so that the Notes will be repayable at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively. The Notes bear interest at 10% per annum and are secured by the limited recourse guarantee of AGC, and by a first mortgage of AGC's interest in its Atlanta Project.