ATLANTA GOLD INC.

Atlanta Gold Inc.

Consolidated Financial Statements

December 31, 2013

(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

“Nancy Ainsworth”
Nancy Porkola-Ainsworth
Interim CFO

Toronto, Ontario, Canada
April 24, 2014

April 25, 2014

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, 2013 and 2012 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, 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, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 Professional Accountants, Licensed Public Accountants

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

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 721,412**	$ 52,720
Recoverable taxes	**18,581**	27,338
Prepaid expenses	**72,233**	61,133
	812,226	141,191
Exploration and evaluation assets (note 4)	**44,274,702**	43,167,861
Property, plant and equipment (note 5)	**1,785,915**	1,440,622
	$ 46,872,843	$ 44,749,674
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (note 11)	**$ 1,542,330**	$ 3,099,849
Promissory note (note 7(b))	**424,717**	-
Senior secured notes - current (notes 7(c) and 11)	**848,163**	-
Shareholders' loans (note 11)	**284,862**	110,255
Convertible debenture - embedded derivatives (note 7(a))	**559,258**	-
Rehabilitation provisions (notes 12 and 13)	**561,144**	523,839
	4,220,474	3,733,943
Non-current liabilities		
Rehabilitation provisions (notes 12 and 13)	**965,000**	1,472,650
Penalty payable to U.S. Treasury (note 13)	**1,775,000**	-
Promissory note (note 7(b))	**-**	424,753
Senior secured notes (notes 7(c) and 11)	**2,960,766**	-
Convertible debenture (note 7(a))	**1,467,021**	1,675,659
	11,388,261	7,307,005
EQUITY		
Capital stock	**89,340,632**	89,170,747
Warrants (note 8(b))	**910,205**	2,245,469
Contributed surplus (note 8(c))	**10,017,626**	8,814,335
Accumulated deficit	**(61,362,397)**	(62,751,079)
Accumulated other comprehensive loss	**(3,421,484)**	(36,803)
	35,484,582	37,442,669
	$ 46,872,843	$ 44,749,674

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

Approved by the Board:

"Jim Gray"
James K. Gray
Director

"Allan Folk"
Allan J. Folk
Director

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

ATLANTA GOLD INC.

(An exploration stage company)
Consolidated Statements of (Income) Loss and Comprehensive Loss
(Expressed in U.S. Dollars)
Years ended December 31, 2013 and 2012

	December 31, 2013	December 31, 2012
General and administrative expenses:		
Professional fees	**$ 577,775**	$ 579,736
Salaries and management fees (note 11)	**368,866**	369,835
Administrative and office	**109,103**	135,142
Investor relations	**290,474**	203,276
Share-based compensation (note 8(c))	**557**	13,333
Travel and accommodation	**6,416**	9,147
	1,353,191	1,310,469
Penalty, attorney fees and litigation costs	**-**	2,258,579
Litigation and claims	**162,722**	-
Decommissioning provisions (note 12)	**-**	100,000
Exploration and evaluation expense	**39,140**	4,103
	1,555,053	3,673,151
Finance items:		
Finance costs	**487,115**	231,270
Gain on sale of marketable securities	**-**	(4,537)
Accretion of convertible debenture and senior secured notes (notes 7(a) and (c))	**484,863**	108,033
Financial assets at fair value through profit or loss		
- Embedded derivatives	**137,115**	(6,264)
- Gold options	**(285,567)**	-
(Gain) Loss from foreign currency transactions	**(3,583,791)**	4,998
	(2,760,265)	333,500
(Income) Loss before income taxes	**(1,205,212)**	4,006,651
Deferred income tax provision (recovery)	**(183,470)**	(299,581)
Net (income) loss	**(1,388,682)**	3,707,070
Other comprehensive loss		
Items that may subsequently be reclassified through profit and loss		
Foreign currency translation adjustment	**3,384,681**	36,803
Net loss and comprehensive loss for the period	**$ 1,995,999**	$ 3,743,873
Weighted average number of consolidated shares outstanding (note 10)		
Basic	**253,619,099**	207,737,300
Diluted	**283,619,099**	237,737,300
Net (income) loss per share (note 10)		
Basic	**$ (0.01)**	**$ 0.02**
Diluted	**(0.00)**	**0.02**

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, 2013 and 2012

	December 31, 2013	December 31, 2012
Cash provided by (used in)		
Operating activities:		
Net (income) loss for the period	**$ 1,388,682**	$ (3,707,070)
Add (deduct) items not involving cash:		
Decommissioning provisions	**-**	100,000
Deferred income tax (recovery)	**(183,470)**	(299,581)
Finance costs paid by issuance of shares	**-**	30,676
Share-based compensation (note 8(c))	**557**	13,333
Gain on sale of marketable securities	**-**	(4,537)
Financial assets at fair value through profit or loss		
- Embedded derivatives	**137,115**	(6,264)
- Gold options	**(285,567)**	-
Accretion of convertible debenture and senior secured notes (notes 7(a) and (c))	**484,863**	108,033
Foreign exchange	**(3,541,062)**	(31,410)
Net change in non-cash working capital	**65,694**	2,577,421
Net cash used in operating activities	**(1,933,188)**	(1,219,399)
Financing activities:		
Loans from shareholders	**174,607**	975,560
Promissory notes	**(36)**	(107)
Proceeds from senior secured notes	**4,000,000**	-
Issuance of common shares net of issuance costs	**-**	1,193,464
Net cash from financing activities	**4,174,571**	2,168,917
Investing activities:		
Exploration and evaluation asset	**(550,114)**	(983,825)
Payment of rehabilitation provisions	**(297,594)**	-
Property, plant and equipment	**(755,445)**	(154,974)
Sale of marketable securities	**-**	31,831
Net cash used in investing activities	**(1,603,153)**	(1,106,968)
Increase (decrease) in cash and cash equivalents	**638,230**	(157,450)
Cash and cash equivalents, beginning of year	**52,720**	210,170
Foreign exchange	**30,462**	-
Cash and cash equivalents, end of year	**$ 721,412**	$ 52,720
Interest paid	**$ 192**	$ 1,008

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, 2013 and 2012

	December 31, 2013	December 31, 2012
Net change in non-cash working capital items		
Recoverable taxes	**$ 8,757**	$ 31,311
Prepaid expenses	**(11,100)**	8,066
Accounts payable and accrued liabilities	**165,893**	2,538,044
Rehabilitation provisions	**(97,856)**	-
	$ 65,694	$ 2,577,421
Significant non-cash financing and investing activities		
Capitalized depreciation (note 5)	**$ 410,152**	$ 366,973
Change of estimate of rehabilitation provisions	**65,312**	-
Capitalized stock-based compensation	**-**	5,764
Shares issued to pay finance costs	**-**	195,280
Shares issued to settle trade payables and loans from shareholders	**-**	907,989
Shares issued in satisfaction of debenture interest (note 8(d))	**169,885**	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

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, 2013 and 2012

	Number of Shares	Share Capital	Warrants	Contributed Surplus (note 6)	Accumulated Deficit	Accumulated Other Comprehensive Income (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
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
Share-based compensation (note 8(c))	-	-	-	19,099	-	-	19,099
Warrants expiring unexercised	-	-	(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)
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, 2013 and 2012

	Number of Shares	Share Capital	Warrants	Contributed Surplus (note 6)	Accumulated Deficit	Accumulated Other Comprehensive Income (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
Shares issued in satisfaction of debenture Interest - at C$0.05 per common share, net of share issue costs (note 8(d))	3,600,000	169,885	-	-	-	-	169,885
Warrants issued with secured gold notes (notes 7(c) and 8(b))	-	-	45,121	-	-	-	45,121
Share-based compensation (note 8(c))	-	-	-	557	-	-	557
Warrants expiring unexercised (note 8(b))	-	-	(1,380,385)	1,202,734	-	-	(177,651)
Net income for the period	-	-	-	-	1,388,682	-	1,388,682
Foreign currency translation adjustment	-	-	-	-	-	(3,384,681)	(3,384,681)
Balance - December 31, 2013	257,041,565	$ 89,340,632	$ 910,205	$ 10,017,626	$(61,362,397)	$ (3,421,484)	$ 35,484,582

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

1. Nature of operations and going concern

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

The Company's primary property is its Atlanta Gold Property ("Atlanta"), located in Idaho, U.S.A. Atlanta is in the advanced exploration phase. The Company's other properties, including its Québec gold properties, are all in the exploration phase. 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 the summer of 2014, no further work is planned in these areas and as a result the carrying values were previously written off.

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 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, 2013, the Company had a deficit of $61,362,397, no source of operating cash flows and reported a net income of $1,388,682 for the year then ended December 31, 2013. The Company's current liabilities exceeded its current assets by $3,408,248 as of December 31, 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 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 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.

2. Basis of preparation

The Company prepares its 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 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 judgments 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 24, 2014.

3. 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 embedded derivatives resulting from conversion options embedded in the convertible debenture and the gold options issued as part of senior secured notes which were 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 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.

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.

3. Significant accounting policies (continued)

Functional currency (continued)

(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 (income) 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:

(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 instruments held by the Company classified in this category are embedded derivatives relating to the conversion option embedded in the outstanding convertible debenture and in the gold options issued with the senior secured notes. 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 (income) 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.

3. Significant accounting policies (continued)

Financial instruments (continued)

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, senior secured notes, promissory note, shareholders' loans, penalty payable to U.S. Treasury 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, buildings, office furniture, vehicles, fixtures, equipment and computer hardware. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is recognized when replaced. Repairs and maintenance costs are charged to the statement of (income) 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 (income) loss and 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.

3. Significant accounting policies (continued)

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

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

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

3. Significant accounting policies (continued)

Net (income) loss per share

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

Diluted (income) 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, 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.

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 (income) 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.

New and amended accounting standards adopted
The adoption of the following new standards, interpretations and amendments resulted to changes in the Company’s accounting policies, but did not have material impact on the financial position or performance on the Company on initial application.

IFRS 7, 'Financial Instruments: Disclosures' was amended to provide additional information about the effect or potential effect of offsetting financial assets and financial liabilities. The Company assessed its financial instruments on January 1, 2013 and determined that the adoption of IFRS 7 did not result in any changes in the disclosures of its financial instruments.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of its wholly-owned subsidiary, AGC.

IFRS 12, ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The Company determined that the adoption of IFRS 12 did not result in any changes in the disclosures of its financial statements.

IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements

3. Significant accounting policies (continued)

New and amended accounting standards adopted (continued)
for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company assessed its financial instruments on January 1, 2013 and determined that the adoption of IFRS 13 did not result in any significant changes in the measurement of its financial instruments.

IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The Company assessed its financial statement presentation regarding other comprehensive income on January 1, 2013 and determined that the adoption of IAS 1 did not result in any significant changes in the financial statement presentation.

Accounting standards issued but not yet applied
The following new standards, new interpretations and amendments to standards and interpretations have been issued but are effective for financial years beginning January 1, 2014 or after and have not been early adopted. Pronouncements that are not applicable to the Company have been excluded from those described below. The Company does not expect significant impacts upon adoption of the following standards.

i) Accounting standards effective on or after January 1, 2014:
Amendment to IAS 32, 'Financial Instruments: Presentation', on assets and liabilities offsetting. These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendment to IAS 36, 'Impairment of assets on recoverable amount disclosures'. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

ii) Accounting standard effective on or after January 1, 2015:
IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company has yet to assess the full impact of IFRS 9. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized.

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, 2013, 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.

(Expressed in U.S. Dollars)

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))

(vi) Rehabilitation provisions
The Company has obligations for implementing measures to come into compliance with the effluent discharge limits on Atlanta and restoration related to diamond properties located on Baffin Island. The future obligations are estimated by the Company using the Company's budget. As the estimate of obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of provisions.

The Company's policy for recording implementing measures and restoration is to establish provisions using the most probable estimate of the future costs.

4. Exploration and evaluation assets

Balance at January 1, 2012:	$ 40,126,393
Additions	3,041,468
Balance at December 31, 2012	43,167,861
Additions	1,106,841
Balance at December 31, 2013	**$ 44,274,702**

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.

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 (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, 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 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, 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 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 December 31, 2013, advance royalty payments of $312,500 (December 31, 2012 - $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, 2013, advance royalty payments totaling $2,011,000 (December 31, 2012 - $1,991,000) will be deducted from any future royalty payments to lessors / royalty holders.

(Expressed in U.S. Dollars)

5. 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		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 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
Year ended December 31, 2013:						
Opening Net Book Value at January 1, 2013		804,101		636,521		1,440,622
Additions		29,868		725,577		755,445
Disposals		-		(5,611)		(5,611)
Depreciation		-		(404,541)		(404,541)
Closing Net Book Value at December 31, 2013	$	833,969	$	951,946	$	1,785,915
At December 31, 2013:						
Cost	$	833,969	$	3,252,904	$	4,086,873
Accumulated depreciation		-		(2,300,958)		(2,300,958)
Closing Net Book Value at December 31, 2013	**$**	**833,969**	**$**	**951,946**	**$**	**1,785,915**

All depreciation charges during the year ended December 31, 2013 and 2012 were capitalized to exploration and evaluation assets.

As of December 31, 2013, 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 11 and 13).

(Expressed in U.S. Dollars)

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, 2013	December 31, 2012
Computed income tax at Canadian statutory tax rates	$ 426,849	$ (1,066,771)
Permanent differences	189,016	939,485
Share issue costs	77,487	18,479
Unrealized foreign exchange	(949,705)	-
Other	72,883	(190,774)
Income tax recovery	$ (183,470)	$ (299,581)

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 26.63% to 26.50%.

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

	December 31, 2013	December 31, 2012
Deferred income tax assets		
Property, plant and equipment	$ 327,130	$ 39,956
Non-capital loss carry forwards	909,581	2,128,560
Total deferred income tax assets	1,236,711	2,168,516
Deferred income tax liabilities		
Inter-company accounts	(446,458)	-
Convertible debenture	(267,478)	(353,203)
Exploration and evaluation assets	(327,130)	(1,815,313)
Senior secured notes	(195,645)	-
Total deferred income tax liabilities	(1,236,711)	(2,168,516)
Net deferred tax	$ -	$ -

(Expressed in U.S. Dollars)

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 $25,242,352 as at December 31, 2013 (December 31, 2012 - $22,893,942) 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 losses (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	606,389
2013	2033	1,542,474
Non-Capital Losses		**C$13,866,038**

The Company has capital losses of C$3,951,124 which can be carried forward indefinitely.

AGC has U.S. loss carry-forwards of approximately $5,204,910 expiring between 2014 and 2027, 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, 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 (the "Issue Date"), by the issuance to the lender, 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.

7. Convertible debenture, promissory note and senior secured notes (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 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.

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 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 December 31, 2013. The accretion interest has been charged to statement of (income) loss and comprehensive loss.

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

(a) Convertible debenture (continued)

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 December 31, 2013 the fair value of the embedded derivatives was C$594,827 (December 31, 2012 - C$453,617).

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 257,041,565

Interest rates

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

(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. 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 December 31, 2013. Interest is payable on a monthly basis.

(Expressed in U.S. Dollars)

7. 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 Atlanta.

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.

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 at 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 $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 valued at $841,307 in total at the Measurement date. 25% of the total gold options will vest on August 31, 2014, 35% on August 31, 2015 and 40% on August 31, 2016. The key inputs on the gold options are gold price, convenience yield of gold and implied volatility of gold.

(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 December 31, 2013. Accretion interest of $148,145 on the debt was charged to statement of (income) 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 options.

(Expressed in U.S. Dollars)

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, 2012	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)	-
Warrants expired	(33,863,369)	(2,249,951)	0.24
Outstanding as at December 31, 2012	**98,328,875**	**2,245,469**	**0.10**
Warrants issued with senior secured notes (note 7(c))	4,000,000	45,121	0.10
Warrants expired	(42,595,542)	(1,380,385)	0.11
Outstanding as at December 31, 2013	**59,733,333**	**910,205**	**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, 2013, 42,595,542 warrants issued in 2011 and 2012, and having a fair value at date of grant of $1,380,385 expired unexercised. In the third quarter of 2013, 4,000,000 warrants having a fair value at date of grant of $45,121 (C$47,946) were issued with the exercise price of C$0.10. The weighted average exercise price of the warrants issued and outstanding on December 31, 2013 was C$0.10. 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 and outstanding on December 31, 2012 was C$0.10.

(Expressed in U.S. Dollars)

8. Share capital (continued)

(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 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 Exchange. In accordance with the requirements of the Exchange, the Plan is subject to annual shareholder approval. The following table summarizes the stock option transactions as follows:

	Number of Shares	Weighted Average Exercise Price C$
Outstanding as at January 1, 2012	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
Options expired	(1,330,000)	0.63
Outstanding at December 31, 2013	**4,105,000**	**0.28**

4,105,000 of the stock options outstanding as at December 31, 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 year ended December 31, 2013, 1,330,000 (December 31, 2012 – 1,345,000) 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 8 months (December 31, 2012 – 16 months).

(Expressed in U.S. Dollars)

8. Share capital (continued)

(c) Stock options (continued)

Expiry Date	Number of Stock Options	Exercise Price C$
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, 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 December 31, 2013 expire at various dates until September 27, 2015. During the year ended December 31, 2013, the Company charged a stock-based compensation expense of $557 (December 31, 2012 - $13,333 expensed and $5,764 capitalized).

The Company did not grant any stock options during the year ended December 31, 2013. 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 vesting in three equal quarterly installments and have a two-year term.

(d) Capital stock offering

On December 14, 2013, the Company issued 3,600,000 common shares at a deemed price of C$0.05 per share pursuant to the terms of the Company's outstanding C$3 million convertible debenture, in satisfaction of approximately $169,885 (C$180,000) of interest. (note 7(a))

On May 23, 2012, the Company issued 4,000,000 common shares to settle a finder's fee of $195,280 (C$200,000) 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 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.

(Expressed in U.S. Dollars)

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 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 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 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.

9. Financial instruments

(a) Fair value

Fair value of financial instruments

The fair values of cash and cash equivalents, accounts payable and accrued liabilities, shareholders loan, promissory note, penalty payable to U.S. Treasury, convertible debenture and senior secured notes approximate their carrying amounts due to their short-term maturity.

The following is a summary of the total amortized cost and fair value of the Company's convertible debenture and Senior Secured Notes (host debt):

	Amortized Cost	Fair Value
Convertible debenture	$ 1,467,021	$ 1,929,093
Senior Secured Notes	$ 3,261,718	$ 3,266,989

(Expressed in U.S. Dollars)

9. Financial instruments (continued)

(a) Fair value (continued)

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 derivatives and gold options were classified as a Level 3, and were derived using a discounted cash flow model that considers various observable and unobservable inputs including time to maturity, interest rates and credit spreads.

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Convertible debenture				
- embedded derivatives	$ -	$ -	$ 559,258	$ 559,258
Gold options	-	-	547,211	547,211
	$ -	$ -	$ 1,106,469	$ 1,106,469

As at December 31, 2012	Level 1	Level 2	Level 3	Total
Convertible debenture				
- embedded derivatives	$ -	$ -	$ 455,930	$ 455,930
	$ -	$ -	$ 455,930	$ 455,930

(Expressed in U.S. Dollars)

9. Financial instruments (continued)

(a) Fair value (continued)

Convertible debenture - embedded derivatives	Level 1	Level 2	Level 3	Total
Balance as at December 31, 2012	$ -	$ -	$ 455,930	$ 455,930
Gains and losses recognized in profit or loss	-	-	103,328	103,328
Balance as at December 31, 2013	$ -	$ -	$ 559,258	$ 559,258

Gold options	Level 1	Level 2	Level 3	Total
Balance as at December 31, 2012	$ -	$ -	$ -	$ -
Issuance of gold options	-	-	841,307	841,307
Gains and losses recognized in profit or loss	-	-	(294,096)	(294,096)
Balance as at December 31, 2013	$ -	$ -	$ 547,211	$ 547,211

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

(b) Financial risk factors

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

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

Liquidity Risk
The Company has no current source of operating revenue and is dependent on external financing to meet obligations when due. If the financing is delayed or is not completed, the Company will, in the short term, be required to reduce planned expenditures and / or rely on other sources of funds, which may include additional shareholder loans. The Company may also 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 to meet its obligations. Additional funding may be in the form of equity and / or debt or also by obtaining direct investments in Atlanta by joint venture partners. The inability to obtain additional funding on a timely basis will have a material adverse effect on the financial condition, business and operations of the Company and AGC. As at December 31, 2013, the Company had a cash balance of $721,412 (December 31, 2012 - $52,720) to settle current liabilities of $4,220,474 (December 31, 2012 - $3,733,943). The Company has various commitments, as detailed in note 13.

(Expressed in U.S. Dollars)

9. Financial instruments (continued)

(b) Financial risk factors (continued)

Liquidity Risk (continued)

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

	December 31, 2013			
	Less than 3 months	3 months to 1 year	2 to 5 years	Over 5 years
Current liabilities				
Accounts payable and accrued liabilities	$ 884,465	$ 657,865	$ -	$ -
Senior secured notes - host debt component	-	848,163	-	-
Shareholders' loans	-	284,862	-	-
Promissory note	-	-	424,717	-
Convertible debt – embedded derivatives	-	-	559,258	-
Non-current liabilities:				
Penalty payable to U.S. Treasury	-	-	1,775,000	-
Senior secured notes - host debt component	-	-	2,413,555	-
Senior secured notes - gold options	-	-	547,211	-
Convertible debt – host debt component	-	-	1,467,021	-
	$ 884,465	$ 1,790,890	$ 7,186,762	$ -

	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	$ -

9. Financial instruments (continued)

(b) Financial risk factors (continued)

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, 2013 was 1.0636 Canadian dollars to one U.S. dollar.

Due to the strengthening during 2013 of the U.S. dollar relative to the Canadian dollar, the Company had a foreign exchange gain of $3,583,791, most of which was derived from translation of inter-company loans made by the Company to AGC, which are denominated in U.S. dollars, resulting in net income of $1,388,682. The financial statements are presented in U.S. dollars, so the Company's balances are translated from Canadian dollars to U.S. dollars. The translation of loans receivable from AGC to the Company from Canadian dollars into U.S. dollars has been recognized on the balance sheet in accumulated other comprehensive loss.

(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 variable interest rate debt. At this point, the Company’s exposure to interest rate risk is minimal.

Sensitivity analysis
As at December 31, 2013, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been approximately $5,750,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated intercompany receivables, financial assets at fair value through profit or loss, debt securities classified as available-for-sale and foreign exchange losses/gains on translation of US dollar-denominated borrowings.

As at December 31, 2013, if the gold price had increased by 10%, the gold options' fair value would have increased by $207,305. If the gold price had decreased by 10%, the gold options' fair value would have decreased by $178,389.

Considering the sensitivity and judgment involved in the convertible debenture valuation, the estimated fair value of the embedded derivatives of $559,258 would change if there would be an increase of 10% in the credit spread by approximately $46,000 and if there would be a decrease of 10% in the credit spread by approximately $50,000.

10. (Income) Loss per share

Basic (income) loss per share
The calculation of basic (income) loss per share for the year ended December 31, 2013 was based on the (income) loss attributable to common shareholders of $(1,388,682) (December 31, 2012 – loss of $3,707,070), and a weighted average number of common shares outstanding of 253,619,099 (December 31, 2012 - 207,737,300).

Diluted (income) loss per share
The calculation of diluted (income) loss per share for the year ended December 31, 2013 was based on the (income) loss attributable to common shareholders of $(1,388,682) (December 31, 2012 – loss of $3,707,070), and a weighted average number of common shares outstanding of 283,619,099 (December 31, 2012 - 237,737,300).

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, 2013 was $533,040 (December 31, 2012 - $493,796), of which $261,846 (December 31, 2012 - Nil) remains unpaid. This amount is unsecured and has no fixed terms of repayment. The interest rates range from non-interest bearing to 7% per annum on unpaid remuneration.

The Company accrued severance pay for a key management person in the amount of $141,030 as at December 31, 2013 (December 31, 2012 - Nil).

At December 31, 2013, the Company owed a director $284,862 for the purchase of equipment. (December 31, 2012 - the Company owed the same director and a shareholder $110,255). This amount is evidenced by a demand promissory note at interest rate of 7% per annum and is secured against the equipment purchased.

The Company also incurred $44,666 in consulting fees for services provided by a Director in 2013.

Two directors of the Company purchased an aggregate of 500,000 Units of the senior secured notes for $500,000 on August 19, 2013. (note 7(c))

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

(Expressed in U.S. Dollars)

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 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, 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**

	Baffin Island Property	Atlanta Gold Property	Total
Balance as at January 1, 2013	$ 300,000	$ 1,696,489	$ 1,996,489
Change during the year			
Paid out	(107,439)	(297,594)	(405,033)
Change of estimate	9,583	(74,895)	(65,312)
Balance as at December 31, 2013	$ 202,144	$ 1,324,000	$ 1,526,144
Current	**$ 202,144**	**$ 359,000**	**$ 561,144**
Long-term	**$ -**	**$ 965,000**	**$ 965,000**

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 in Atlanta. It is expected that $561,144 will be used during 2014 and $965,000 during 2015. Total expected costs to be incurred are $1,526,144 (2012 - $1,472,650).

13. Commitments and contingencies

As at December 31, 2013, the Company had accrued current rehabilitation provisions of $561,144 (December 31, 2012 - $523,839) and accrued non-current rehabilitation provisions of $965,000 (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.

(Expressed in U.S. Dollars)

13. Commitments and contingencies (continued)

In September 2013, the Court entered a final judgment 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 and paid 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.

Penalty incurred	$2,000,000
Payments made during 2013	$75,000
Payments due in 2014	150,000
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

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 four installments of $60,000 each on December 15, 2012, April 15, 2013, September 10, 2013 and November 18, 2013 respectively.

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 evaluation stage properties and other corporate activities. The Company has no current source of operating revenue and is dependent on external financing to to meet obligations when due. If the financing is delayed or is not completed, the Company will, in the short term, be required to reduce planned expenditures and/or rely on other sources of funds, which may include additional shareholder loans. The Company may also 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 to meet its obligations. Additional funding may be in the form of equity and/or debt or also by obtaining direct investments in Atlanta by joint venture partners. The inability to obtain additional funding on a timely basis will have a material adverse effect on the financial condition, business and operations of the Company and AGC; and

14. Capital management (continued)

(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 and debt instruments, the exercise of options and common share purchase warrants 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, 2013.