



**Atlanta Gold Inc.**

**Condensed Interim Consolidated Financial Statements**

**March 31, 2016**

**(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.

May 27, 2016

# ATLANTA GOLD INC.

(An exploration stage company)

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in U.S. Dollars)

	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 32,012	\$ 107,559
Restricted cash (note 3)	551,433	559,018
Marketable securities	57,056	26,768
Recoverable taxes	12,822	11,188
Other receivables	9,778	4,408
Prepaid expenses	40,470	87,624
Total current assets	703,571	796,565
Exploration and evaluation assets (note 4)	47,321,766	47,066,168
Property, plant and equipment (note 5)	516,075	616,648
Total assets	\$ 48,541,412	\$ 48,479,381
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 10)	\$ 2,528,148	\$ 2,261,123
Penalty payable to U.S. Treasury (note 12)	1,725,000	1,725,000
Promissory note (note 6(b))	424,717	424,717
Shareholders' loans (note 10)	1,094,005	1,041,659
Convertible loan (note 6(d))	760,288	667,947
Convertible loan - embedded derivatives (note 6(d))	263,261	263,245
Rehabilitation provisions (notes 11 and 12)	160,900	157,575
Senior secured notes - current (note 6(c))	1,499,628	1,485,402
Total current liabilities	8,455,947	8,026,668
Non-current liabilities		
Rehabilitation provisions (notes 11 and 12)	965,000	965,000
Senior secured notes (note 6(c))	4,668,334	4,495,957
Convertible debentures (note 6(a))	1,301,953	1,196,248
Convertible debentures - embedded derivatives (note 6(a))	513,035	397,881
Convertible debenture - gold options (note 6(a))	60,249	146,940
Total liabilities	\$ 15,964,518	\$ 15,228,694

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, 2016	December 31, 2015
<b>EQUITY</b>		
Capital stock (notes 7(a)(b))	\$ 89,893,902	\$ 89,813,520
Warrants	826,952	826,952
Contributed surplus	10,118,439	10,118,439
Accumulated deficit	(56,089,414)	(52,541,471)
Accumulated other comprehensive loss	(13,254,651)	(16,048,419)
<b>Total equity attributable to Atlanta Gold Inc. shareholders</b>	<b>31,495,228</b>	<b>32,169,021</b>
Non-controlling interests (note 8)	1,081,666	1,081,666
Total equity	32,576,894	33,250,687
Total liabilities and equity	\$ 48,541,412	\$ 48,479,381

Nature of operations and going concern (note 1)

Commitments and contingencies (note 12)

Subsequent events (note 13)

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 (Income) Loss

(Unaudited - Expressed in U.S. Dollars)

Three Months Ended March 31, 2016 and 2015

	March 31, 2016	March 31, 2015
<b>General and administrative expenses:</b>		
Professional fees	\$ 22,716	\$ 44,152
Salaries and management fees (note 10)	20,000	26,577
Administrative and office	17,252	17,980
Investor relations	6,548	18,137
Travel and accommodation	694	313
	<b>67,210</b>	107,159
Exploration and evaluation expense	353	463
	<b>67,563</b>	107,622
<b>Finance items:</b>		
Finance costs (note 6)	199,688	159,044
Unrealized (gain) loss on marketable securities	(26,995)	29,851
Accretion of convertible debentures, senior secured notes and convertible loan (notes 6(a)(c)(d))	80,059	103,110
Financial assets at fair value through profit or loss		
- Embedded derivatives (notes 6(a)(d))	84,210	-
- Gold options (notes 6(c)(d))	155,380	(42,078)
(Gain) loss from foreign currency transactions	2,988,038	(5,397,814)
	<b>3,480,380</b>	(5,147,887)
<b>Loss (income) before income taxes</b>	<b>3,547,943</b>	(5,040,265)
<b>Net (income) loss</b>	<b>3,547,943</b>	(5,040,265)
<b>Other comprehensive (income) loss</b>		
<b>Items that may subsequently be reclassified through profit and loss</b>		
Foreign currency translation adjustment	(2,793,768)	5,020,206
<b>Net (income) loss and comprehensive (income) loss for the period</b>	<b>\$ 754,175</b>	<b>\$ (20,059)</b>
<b>Weighted average number of consolidated shares outstanding (note 9)</b>		
Basic	30,016,375	26,604,826
Diluted	55,066,859	30,888,826
<b>Net (income) loss per share (note 9)</b>		
Basic	\$ 0.12	\$ (0.19)
Diluted	\$ 0.06	\$ (0.16)

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, 2016 and 2015

	March 31, 2016	March 31, 2015
<b>Cash provided by (used in)</b>		
<b>Operating activities:</b>		
Net income (loss) for the period	\$ (3,547,943)	\$ 5,040,265
Add (deduct) items not involving cash:		
Decommissioning provisions	-	29,851
Unrealized loss on marketable securities	(26,995)	-
Finance costs	199,140	158,350
Financial assets at fair value through profit or loss		
- Embedded derivatives	84,210	-
- Gold options (notes 6(c)(d))	155,380	(42,078)
Accretion of convertible debentures and senior secured notes (notes 6(a)(c)(d))	80,059	103,110
Foreign exchange	2,921,720	(5,764,648)
Net change in non-cash working capital	117,337	362,627
<b>Net cash used in operating activities</b>	<b>(17,092)</b>	<b>(112,523)</b>
<b>Financing activities:</b>		
Loans from shareholders	-	76,012
Proceeds from share issuance (note 7(b))	80,382	-
<b>Net cash from financing activities</b>	<b>80,382</b>	<b>76,012</b>
<b>Investing activities:</b>		
Exploration and evaluation asset	(132,841)	(15,599)
Property, plant and equipment	(13,581)	39,719
<b>Net cash (used in) from investing activities</b>	<b>(146,422)</b>	<b>24,120</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>(83,132)</b>	<b>(12,391)</b>
Cash and cash equivalents, beginning of period	666,577	24,354
<b>Cash and cash equivalents, end of period</b>	<b>\$ 583,445</b>	<b>\$ 11,963</b>
Cash and cash equivalents	\$ 32,012	\$ 11,963
Restricted cash (note 3)	551,433	-
Interest paid	\$ 319	\$ 279

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, 2016 and 2015

	March 31, 2016	March 31, 2015
<b>Net change in non-cash working capital items</b>		
Recoverable taxes	\$ (1,634)	\$ (1,041)
Other receivables	(5,370)	-
Prepaid expenses	47,154	16,032
Accounts payable and accrued liabilities	77,187	347,636
	<b>\$ 117,337</b>	<b>\$ 362,627</b>
<b>Significant non-cash financing and investing activities</b>		
Capitalized depreciation (note 5)	\$ 114,154	\$ 112,779

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

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

Three Months Ended March 31, 2016 and 2015

	Number of Shares (adjusted for share consolidation)	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance - January 1, 2015</b>	26,604,837	\$ 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)
<b>Balance - March 31, 2015</b>	26,604,837	\$ 89,671,149	\$ 1,000,109	\$ 9,927,722	\$(54,038,550)	\$(13,025,969)	\$ 33,534,461
Shares issued							
- at C\$0.069 per common share, net of share issue costs	2,950,000	142,371	-	-	-	-	142,371
Compensation warrants issued on issuance of convertible debentures	-	-	17,560	-	-	-	17,560
Warrants expiring unexercised	-	-	(190,717)	190,717	-	-	-
Net income for the period	-	-	-	-	1,497,079	-	1,497,079
Foreign currency translation adjustment	-	-	-	-	-	(3,022,450)	(3,022,450)
<b>Balance - December 31, 2015</b>	29,554,837	\$ 89,813,520	\$ 826,952	\$ 10,118,439	\$(52,541,471)	\$(16,048,419)	\$ 32,169,021

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)

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

Three Months Ended March 31, 2016 and 2015

	Number of Shares (adjusted for share consolidation)	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
<b>Balance - January 1, 2016</b>	29,554,837	\$ 89,813,520	\$ 826,952	\$ 10,118,439	\$(52,541,471)	\$(16,048,419)	\$ 32,169,021
Shares issued							
- at C\$0.069 per common share, net of share issue costs (note 7(b))	1,750,000	80,382	-	-	-	-	80,382
Net loss for the period	-	-	-	-	(3,547,943)	-	(3,547,943)
Foreign currency translation adjustment	-	-	-	-	-	2,793,768	2,793,768
<b>Balance - March 31, 2016</b>	<b>31,304,837</b>	<b>\$ 89,893,902</b>	<b>\$ 826,952</b>	<b>\$ 10,118,439</b>	<b>\$(56,089,414)</b>	<b>\$(13,254,651)</b>	<b>\$ 31,495,228</b>

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

# ATLANTA GOLD INC.

(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

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### 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 also holds a leasehold interest on five patented lode claims known as the Neal Property and staked an additional seven contiguous claims on public land that were open to mineral entry, also located in Idaho, U.S.A. The Company sold its Québec gold properties in November 2014. As no further work was planned on the Quebec properties, the carrying value for those properties had previously been 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 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, 2016, the Company had a deficit of \$56,089,414 and no source of operating cash flows. The Company's current liabilities exceeded its current assets by \$7,752,376 as of March 31, 2016. The Company's wholly owned subsidiary, Atlanta Gold Corporation ("AGC"), failed to make partial environmental penalty payments due on March 31, 2015 and payments due on June 30, 2015, September 30, 2015, December 31, 2015 and March 31, 2016 on time in the total amount of \$375,000 as of March 31, 2016. The United States Attorney may potentially enforce proceedings against AGC for collection of the judgment. In January 2016, the mortgagee of AGC's East Amity Road Property notified AGC of its intent to foreclose on the mortgage. 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 the Neal Property, and will continue to explore financing alternatives to raise capital. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms or that the Company will achieve profitable operation.

These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. These adjustments could be material.

# ATLANTA GOLD INC.

(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

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### 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, 2015 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, 2015.

These unaudited condensed interim consolidated financial statements were approved by the board of directors for issue on May 27, 2016.

#### (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, 2015.

### 3. Restricted cash

Cash and cash equivalents held by Neal Development, LP (the "Partnership"), a subsidiary of the Company, are contractually not available for general corporate purposes, except for amounts as provided for in the Partnership agreement governing profit distribution and fees to be paid to the Company for processing, general, administrative and other services to the Partnership. (note 8)

### 4. Exploration and evaluation assets

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	Atlanta Gold Property	Neal Property	Total
<b>Balance at January 1, 2015:</b>	45,767,595	54,368	\$ 45,821,963
Additions	172,748	2,189	174,937
<b>Balance at March 31, 2015</b>	45,940,343	56,557	45,996,900
Additions	854,469	214,799	1,069,268
<b>Balance at December 31, 2015</b>	46,794,812	271,356	47,066,168
Additions	198,419	57,179	255,598
<b>Balance at March 31, 2016</b>	46,993,231	328,535	<b>\$ 47,321,766</b>

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# ATLANTA GOLD INC.

(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

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### 4. Exploration and evaluation assets (continued)

#### 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.

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. 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, 2016, 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 expired on April 18, 2016 and was subsequently renewed for a five-year term expiring April 30, 2021. 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, 2016, advance royalty payments of \$218,500 (December 31, 2015 - \$218,500) 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 has been extended to November 14, 2016. 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, 2016, advance royalty payments of \$332,500 (December 31, 2015 - \$332,500) had been paid and will be deducted from any future royalty payments to Hollenbeck.

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

Annual rental and advance royalty payments are required to keep lease agreements in good standing for the properties that collectively comprise Atlanta. Advance royalty payments to lessors are credited against future royalty payments payable on production. As at March 31, 2016, advance royalty payments totaling \$2,051,000 (December 31, 2015 - \$2,051,000) will be deducted from any future royalty payments to lessors / royalty holders.

# ATLANTA GOLD INC.

(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

### 4. Exploration and evaluation assets (continued)

#### Neal Property, Idaho, U.S.A.

AGC holds a lease expiring July 2020 of 5 patented claims known as the Neal Property and staked an additional seven contiguous claims on public land that were open to mineral entry. The annual lease payments consist of a \$3 per dry ton tonnage royalty and a 3% net smelter return royalty, with a minimum annual payment of \$10,000. AGC has advanced \$15,000 which payment will be deducted from future lease payments and/or production/royalty payments.

In February 2015, AGC formed Mineral Point, LLC, an Idaho limited liability company to be the General Partner of Neal Development, LP (the "Partnership"), an Idaho limited partnership, with the Partnership to be used to explore the Neal Property.

Mineral Point, LLC is the General Partner of the Partnership and holds 100 units of the Partnership. In June 2015, the Partnership completed an initial financing for proceeds of \$1,100,000 and 44 units were subscribed for. The Partnership commenced exploration activity in mid-July, 2015. (note 8)

### 5. Property, plant and equipment

	Land	Building, Field Equipment and Other	Total
<b>At January 1, 2015:</b>			
Cost	\$ 916,523	\$ 3,393,752	\$ 4,310,275
Accumulated depreciation	-	(2,733,009)	(2,733,009)
<b>Opening Net Book Value at January 1, 2015</b>	916,523	660,743	1,577,266
<b>Year ended December 31, 2015:</b>			
<b>Opening Net Book Value at January 1, 2015</b>	916,523	660,743	1,577,266
Additions	7,476	10,599	18,075
Disposals	-	(76,544)	(76,544)
Depreciation	-	(94,021)	(94,021)
<b>Closing Net Book Value at March 31, 2015</b>	923,999	500,777	1,424,776
Additions	28,728	75,462	104,190
Written-down	(570,824)	-	(570,824)
Disposals - accumulated depreciation reversal	-	18,758	18,758
Depreciation	-	(360,252)	(360,252)
<b>Closing Net Book Value at December 31, 2015</b>	\$ 381,903	\$ 234,745	\$ 616,648

# ATLANTA GOLD INC.

(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

### 5. Property, plant and equipment (continued)

	Land	Building, Field Equipment and Other	Total
<b>At January 1, 2016:</b>			
Cost	\$ 381,903	\$ 3,403,269	\$ 3,785,172
Accumulated depreciation	-	(3,168,524)	(3,168,524)
<b>Opening Net Book Value at January 1, 2016</b>	<b>381,903</b>	<b>234,745</b>	<b>616,648</b>
<b>Period ended March 31, 2016:</b>			
<b>Opening Net Book Value at January 1, 2016</b>	<b>381,903</b>	<b>234,745</b>	<b>616,648</b>
Additions	-	13,581	13,581
Depreciation	-	(114,154)	(114,154)
<b>Closing Net Book Value at March 31, 2016</b>	<b>\$ 381,903</b>	<b>\$ 134,172</b>	<b>\$ 516,075</b>
<b>At March 31, 2016:</b>			
Cost	\$ 381,903	\$ 3,416,850	\$ 3,798,753
Accumulated depreciation	-	(3,282,678)	(3,282,678)
<b>Closing Net Book Value at March 31, 2016</b>	<b>\$ 381,903</b>	<b>\$ 134,172</b>	<b>\$ 516,075</b>

All depreciation charges during the three months ended March 31, 2016 and 2015 were capitalized to exploration and evaluation assets.

As of March 31, 2016, AGC's four generators on the East Amity Road property located in Boise, Idaho and an excavator have security interests against them (notes 10 and 12).

### 6. Convertible debentures, promissory note, senior secured notes and convertible loan

#### (a) Convertible debentures

In connection with the purchase of the Monarch Property, the Company issued to Concept Capital Management Ltd. ("CCM") in December 2011 a 6% convertible debenture (the "Debenture") in the principal amount of C\$3 million having a five-year term. The Company and AGC also entered into a gold option agreement pursuant to which CCM received an option to purchase an aggregate of 4,000 troy ounces of gold produced from Atlanta, at a price of \$1,400 per ounce. The option will vest after AGC has completed production of 20,000 troy ounces from Atlanta and will be exercisable for five years from the date of vesting.

By notice dated August 25, 2014, CCM requested that the Company redeem the Debenture on December 15, 2014, in accordance with the Debenture's early redemption provisions, which permitted CCM to request redemption at any time after December 14, 2014.

# ATLANTA GOLD INC.

(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

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### 6. Convertible debentures, promissory note, senior secured notes and convertible loan (continued)

#### (a) Convertible debentures (continued)

On April 1, 2015, the Company reached agreement with CCM to refinance the Debenture (the "Refinancing") which was completed on August 26, 2015. Under the terms of the Refinancing, principal and accrued interest on the Debenture totaling C\$3,250,000 were satisfied by the issuance to CCM of an amended and restated convertible debenture in the principal amount of C\$1,500,000 (the "Amended Debenture") and the issuance to CCM of the Company's Senior Secured Notes in the principal amount of \$1,500,000 (note 6(c)). \$285,775 of gain on Refinancing was recognized to statement of (income) loss and comprehensive loss for the year ended December 31, 2015. The Amended Debenture bears interest of 10% per annum from April 1, 2015, matures April 1, 2018 and is convertible at CCM's option at a conversion price of C\$0.10 per consolidated common share. Pursuant to the terms of the Refinancing, the Amended Debenture and the security thereon rank equally with the Company's Senior Secured Notes. The Amended Debenture and the Senior Secured Notes are secured by the limited recourse guarantee of AGC and by a mortgage of AGC's interest in Atlanta.

The issuance of the Amended Debenture to CCM and the consolidation of the Company's common shares on a one for ten basis (as required pursuant to the terms of the Refinancing) were each approved by shareholders of the Company at the annual and special meeting of shareholders held on June 24, 2015 and the consolidation became effective on June 25, 2015.

The Amended Debenture involves two components: host debt and conversion options. The principal face value was allocated as follows:

- i) Conversion options were valued at C\$122,211 as of April 1, 2015 and classified as non-current liability. The fair value of the conversion options was valued at C\$487,521 as at March 31, 2016 (December 31, 2015 - C\$402,952).
- ii) The host debt of C\$1,305,361 was recorded as non-current liability at its initial fair value at the date of inception as of April 1, 2015 and subsequently measured at amortized cost as of March 31, 2016. The accretion interest has been charged to statement of (income) loss and comprehensive loss.

Assumptions used for the valuation:

The Amended Debenture components were measured at fair value using the following methods: The fair value of the Amended Debenture and its conversion rights were estimated by using a range of fair values based on the valuation of the Amended Debenture, the Amended Debenture without the conversion 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 inputs were as follows:

- i) Historical stock price as at the valuation date of C\$0.05 as adjusted for the consolidation
- ii) Volatility of the stock return adjusted to reflect the actual implied stock volatility of 287.85%
- iii) Bond discount curve

# ATLANTA GOLD INC.

(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

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### 6. Convertible debentures, promissory note, senior secured notes and convertible loan (continued)

#### (a) Convertible debentures (continued)

Concurrently with the completion of the Refinancing, on August 26, 2015, the Company completed a private placement for an additional C\$550,000 (converted into \$397,399 as at December 31, 2015) principal amount convertible debentures (the "Additional Debentures") which rank equally with and have the same terms as the Amended Debenture, except that interest on the Additional Debentures accrues from the date of completion of the private placement. The Additional Debentures are secured in the same manner and rank equally in all respects with the Amended Debenture and the Senior Secured Notes. In connection with the issuance of the Additional Debentures, the Company paid a finder's fee of 192,000 warrants to Golden Capital Consulting Ltd. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of C\$0.10 at any time prior to April 1, 2018.

The Additional Debentures involve two components: host debt and conversion options. The principal face value was allocated as follows:

- i) Conversion options were valued at C\$155,403 as of August 26, 2015 and classified as non-current liability. The fair value of the conversion options was valued at C\$178,758 as at March 31, 2016 (December 31, 2015 - C\$147,749).
- ii) The host debt of C\$394,597 was recorded as non-current liability at its initial fair value at the date of inception as of August 26, 2015 and subsequently measured at amortized cost as of March 31, 2016. The accretion interest has been charged to statement of (income) loss and comprehensive loss.

Assumptions used for the valuation:

The Amended Debenture components were measured at fair value using the following methods:

The fair value of the Amended Debenture and its conversion rights were estimated by using a range of fair values based on the valuation of the Amended Debenture, the Amended Debenture without the conversion 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 inputs were as follows:

- i) Historical stock price as at the valuation date of C\$0.06
- ii) Volatility of the stock return adjusted to reflect the actual implied stock volatility of 273.9%
- iii) Bond discount curve

#### (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. Interest is payable on a monthly basis. AGC subsequently defaulted on monthly interest payments while in discussions with the lender in respect of a possible extension of the term of the loan and other alternatives. On January 19, 2016, the lender notified AGC of its intent to foreclose on the mortgage. The promissory note was carried at its initial fair value which was subsequently measured at its amortized cost as of March 31, 2016.



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### 6. Convertible debentures, promissory note, senior secured notes and convertible loan (continued)

#### (c) Senior secured notes

Senior secured notes	Face value	Host debt		Gold options	
		Amortized costs		Fair value	Ounces
		Current	Non-current	Non-current	
Initial notes - August 19, 2013	\$ 4,000,000	\$ 1,000,000	\$ 2,740,526	\$ 337,521	4,180.0
Refinanced note - April 1, 2015	1,500,000	357,322	1,011,099	126,570	1,567.5
New note - May 11, 2015	600,000	142,306	401,990	50,628	627.0
<b>Total</b>	<b>\$ 6,100,000</b>	<b>\$ 1,499,628</b>	<b>\$ 4,153,615</b>	<b>\$ 514,719</b>	<b>6,374.5</b>

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 are secured by the limited recourse guarantee by AGC, and by a mortgage of AGC's interest in Atlanta and following completion of the Refinancing, rank equally with the Amended Debenture and the Additional Debentures.

On August 26, 2014, the terms of the Notes were amended. The original repayment dates were extended by one year, such that the principal amount of the Notes, amortized at 25%, 35% and 40%, became 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 (900,669 consolidated common shares for each C\$0.50 of accrued interest).

Under the terms of the Refinancing, the Company, AGC and the holders of the Notes agreed to further extend the maturity date of the Notes by an additional year to August 31, 2018, to be repayable in cash installments at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively.

Warrants issued as part of the original financing are currently outstanding to purchase 400,000 consolidated common shares at an exercise price of C\$1.00 until August 31, 2017. 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 C\$2.50 per consolidated common share for 20 consecutive days on which the Company's shares trade.

Purchasers of the Notes initially 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 gold options were subsequently amended such that currently, the options are to purchase 104.5 ounces (per \$100,000 Notes) at \$1,100 per ounce until August 31, 2018. The gold options vest at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively. As part of the Refinancing, CCM received an option 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), expiring August 31, 2018, with the option vesting at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively.

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(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

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Three months Ended March 31, 2016 and 2015

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### 6. Convertible debentures, 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

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- (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, 2016, 35% on August 31, 2017 and 40% on August 31, 2018. 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 \$337,521 as at March 31, 2016 (December 31, 2015 - \$251,099).
- (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, 2016. The amortized costs of the host debt were \$3,740,526 which was recorded as a current liability of \$1,000,000 and a non-current liability of \$2,740,526 as at March 31, 2016. (December 31, 2015 - host debt of \$3,718,466 including current liability of \$1,000,000 and non-current liability of \$2,718,466)

Notes in the principal amount of \$1,500,000 issued in connection with the Refinancing (note 6(a)) involve two components: host debt and gold options. The principal face value was allocated as follows on April 1, 2015 ("Measurement date"):

- (i) Gold options were originally valued at \$212,955 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, 2016, 35% on August 31, 2017 and 40% on August 31, 2018. 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 \$126,570 as at March 31, 2016 (December 31, 2015 - \$94,162).

- (ii) The residual value of the host debt was \$1,283,609 which was recorded as a current liability of \$320,902 and a non-current liability of \$962,707 at its initial fair value at the date of inception as of at the date of inception as of April 1, 2015 and subsequently measured at amortized costs. The amortized costs of the host debt were \$1,368,421 which was recorded as a current liability of \$357,322 and a non-current liability of \$1,011,099 as at March 31, 2016. (December 31, 2015 - host debt of \$1,345,354 including current liability of \$347,374 and non-current liability of \$997,980)

In May 2015, CCM purchased additional Notes in the principal amount of \$600,000 with an effective issue date of April 1, 2015. The additional Notes involve two components: host debt and gold options. The principal face value was allocated as follows on May 11, 2015 ("Measurement date"):

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(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

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### 6. Convertible debentures, promissory note, senior secured notes and convertible loan (continued)

#### (c) Senior secured notes (continued)

(i) Gold options were originally valued at \$89,023 in total at the Measurement date and subsequently valued at fair market value to reflect the gold options. 25% of the total gold options will vest on August 31, 2016, 35% on August 31, 2017 and 40% on August 31, 2018. 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 \$50,628 as at March 31, 2016 (December 31, 2015 - \$37,665).

(ii) The residual value of the host debt was \$510,977 which was recorded as a current liability of \$127,744 and a non-current liability of \$383,233 at its initial fair value at the date of inception as of at the date of inception as of May 11, 2015 and subsequently measured at amortized costs. The amortized costs of the host debt were \$544,296 which was recorded as a current liability of \$142,306 and a non-current liability of \$401,990 as at March 31, 2016. (December 31, 2015 - host debt of \$534,613 including current liability of \$138,028 and non-current liability of \$396,585)

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\$0.50 per consolidated common share during the initial 12 months and at C\$1.00 per consolidated common 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.

The loan involves three components: host debt, embedded derivatives and gold options. The three components are valued 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, 2016 is \$600,000 (December 31, 2015 is \$600,000).

(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 fair values of the embedded derivatives at March 31, 2016 is \$263,261 (December 31, 2015 is \$263,245).

(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, 2016 is \$160,288 (December 31, 2015 is \$67,947).

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.

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(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

### 7. 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) **Private Placement**

On March 7, 2016, the Company issued 1,750,000 common shares at a price of C\$0.069 per share to Jipangu Inc. for gross proceeds of C\$120,750.

### 8. Non-controlling interests

In February 2015, AGC formed Mineral Point, LLC to explore the Neal Property (note 3) through Neal Development, LP (the "Partnership"). Mineral Point, LLC is an Idaho limited liability company and the Partnership is formed under the Idaho Uniform Limited Partnership Act, as amended.

Mineral Point, LLC is the General Partner of the Partnership and holds 100 units of the Partnership. In June 2015, the Partnership completed an initial financing for proceeds of \$1,100,000 and 44 units were subscribed for. The Partnership commenced exploration activity in mid-July, 2015. (note 3)

(a) **Non-controlling interests continuity**

<b>Neal Development, LLP</b>	
NCI in subsidiary at January 1, 2016 (44 of 144 units outstanding)	30.6%
At January 1, 2016	\$ 1,081,666
At March 31, 2016	\$ 1,081,666

(b) **Summarized financial information on subsidiary with material non-controlling interest**  
**Summarized Balance Sheets**

<b>Neal Development, LLP</b>		
	March 31, 2016	March 31, 2015
Current assets	\$ 551,442	\$ -
Non-current assets	568,952	-
Total assets	\$ 1,120,394	\$ -
Current liabilities	\$ -	\$ -
Non-current liabilities	-	-
Total liabilities	\$ -	\$ -

# ATLANTA GOLD INC.

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## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

### 8. Non-controlling interests (continued)

#### (b) Summarized financial information on subsidiary with material non-controlling interest (continued)

##### Summarized Statements of Income

	Neal Development, LLP	
For the years ended	March 31, 2016	March 31, 2015
Income (loss) from continuing operations	\$ -	\$ -

### 9. Income per share

#### Basic income per share

The calculation of basic loss or income per share for the three months ended March 31, 2016 was based on the loss attributable to common shareholders of \$3,547,943 (March 31, 2015 - income of \$5,040,265), and a weighted average number of consolidated common shares outstanding of 30,016,375 (March 31, 2015 - 26,604,826 as adjusted for the consolidation).

#### Diluted income per share

The calculation of diluted income per share for the three months ended March 31, 2016 was based on the loss attributable to common shareholders of \$3,547,943 (March 31, 2015 - income of \$5,040,265), and a weighted average number of consolidated common shares outstanding of 55,066,859 (March 31, 2015 - 30,888,826 as adjusted for the consolidation).

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.

### 10. Related party transactions

The remuneration of key management personnel during the three months ended March 31, 2016 was \$95,000 (March 31, 2015 - \$134,813), of which one-half of a senior officer's salary was unpaid and accrued at March 31, 2016. The Company had accrued \$511,824 of a senior officer's salary including \$478,846 of principal accrued for 2013, 2014, 2015 and first quarter of 2016 and \$32,978 of outstanding interest. At December 31, 2015, \$473,968 was accrued for one-half of a senior officer's salary including \$449,176 of principal accrued for 2013, 2014 and 2015 and \$24,792 of outstanding 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, 2016, Shareholders' loans of \$1,094,005 (December 31, 2015 - \$1,041,659) were payable to certain directors (Allan Folk, James Gray and Warren Holmes) and shareholders of the Company. Of the total amount, \$318,313 (December 31, 2015 - \$313,500) was owed to Wm. Ernest Simmons, the President, CEO and a director of the Company, 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 5). The remaining shareholder loans of \$775,692 (December 31, 2015 - \$728,159) 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.

# ATLANTA GOLD INC.

(An exploration stage company)

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(Unaudited - Expressed in U.S. Dollars)

Three months Ended March 31, 2016 and 2015

### 11. 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:

	<b>Baffin Island Property</b>	<b>Atlanta Gold Property</b>	<b>Total</b>
<b>Balance as at January 1, 2015</b>	\$ 60,340	\$ 1,168,801	\$ 1,229,141
Change during the year			
Paid out	-	(91,923)	(91,923)
Change of estimate and foreign exchange adjustment	(9,765)	(4,878)	(14,643)
<b>Balance as at December 31, 2015</b>	\$ 50,575	\$ 1,072,000	\$ 1,122,575
Current	\$ 50,575	\$ 107,000	\$ 157,575
Long-term	\$ -	\$ 965,000	\$ 965,000
<b>Balance as at January 1, 2016</b>	\$ 50,575	\$ 1,072,000	\$ 1,122,575
Change during the period			
Change of estimate and foreign exchange adjustment	3,325	-	3,325
<b>Balance as at March 31, 2016</b>	\$ 53,900	\$ 1,072,000	\$ 1,125,900
Current	\$ 53,900	\$ 107,000	\$ 160,900
Long-term	\$ -	\$ 965,000	\$ 965,000

A provision is recognized for the costs to be incurred for the restoration of the Baffin Island Property and the 900 adit at Atlanta. It is expected that \$160,900 will be expended within one year and \$965,000 in the year after. As at March 31, 2016, total expected costs to be incurred are \$1,125,900 (December 31, 2015 - \$1,122,575). Due to the near term of the settlement of the provisions, the costs estimated have not been discounted.

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(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in U.S. Dollars)

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### 12. Commitments and contingencies

As at March 31, 2016, the Company had accrued current rehabilitation provisions of \$160,900 (December 31, 2015 - \$157,575) and accrued non-current rehabilitation provisions of \$965,000 (December 31, 2015 - \$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 is to 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 \$300,000. As of the date hereof, AGC is \$350,000 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 four generators on the East Amity Road property located in Boise, Idaho. (note 5)

Penalty incurred	\$2,000,000
Payments made during 2013	\$75,000
Payments made during 2014	75,000
Payments due in 2014 paid in 2015	75,000
Payments due in 2015 paid in 2015	50,000
Payments due in 2015 paid in 2016	25,000
Penalty outstanding	1,700,000
Payments due in 2015 are past due	250,000
Payments due in 2016 are past due	100,000
Payments due in 2016	300,000
Payments due in 2017	400,000
Payments due in 2018	650,000
Penalty outstanding	\$1,700,000

# ATLANTA GOLD INC.

(An exploration stage company)

## Notes to Condensed Interim Consolidated Financial Statements

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Three months Ended March 31, 2016 and 2015

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### 12. Commitments and contingencies

#### Royalty commitments (note 4)

Atlanta has the following royalty commitments:

#### Canadian American Mining Company, LLC ("CAMC")

CAMC holds a 1% net smelter return royalty over Atlanta.

#### Monarch Greenback LLC

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 over the Monarch portion of Atlanta. As at March 31, 2016, advance royalty payments of \$1,500,000 had been paid by AGC to Monarch and will be deducted from future royalty payments to Monarch.

#### F. C. Gardner

AGC leases lode claims pursuant to a lease agreement, as amended, with F. C. Gardner. The lease expired on April 18, 2016 and was subsequently renewed for 5 years. 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, 2016, advance royalty payments of \$218,500 (December 31, 2015 - \$218,500) have been made and will be deducted from any future royalty payments to F. C. Gardner.

#### Hollenbeck Properties LLC

AGC leases 10 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease has been extended to November 14, 2016. 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, 2016, advance royalty payments of \$332,500 (December 31, 2015 - \$332,500) had been paid and will be deducted from any future royalty payments to Hollenbeck.

### 13. Subsequent events

On April 13, 2016, the Company completed the private placement issuance of 3,357,600 common shares at C\$0.07 per share for proceeds of C\$235,032 and on May 20, 2016 completed the private placement issuance of 3,785,571 common shares at C\$0.07 per share for proceeds of C\$264,990.