Management Discussion and Analysis

*This management discussion and analysis of financial position and results of operations of Atlanta Gold Inc. (the "**Company**") and its subsidiary for the three months ended March 31, 2013 and 2012 has been prepared as of May 23, 2013.*

*The discussion below should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and the notes thereto for the three months ended March 31, 2013 and 2012 and the audited consolidated financial statements of the Company for the year ended December 31, 2012. The Company prepares and files its financial statements in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**").*

All amounts are expressed in U.S. dollars and all amounts in financial tables, except per share amounts, are expressed in thousands of U.S. dollars, in each case unless otherwise indicated.

Additional information relating to the Company is filed with securities regulatory authorities in Canada and is available on SEDAR at www.sedar.com.

Cautionary Statement on Forward Looking Information

This document includes "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking information**"), within the meaning of applicable securities legislation, concerning the Company's business, operations, financial performance, condition and prospects, as well as management's objectives and strategies. Forward-looking information is based on assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors which the Company believes to be relevant and reasonable in the circumstances.

Forward-looking information is frequently identified by the use of words such as "may", "will", "could", "believe", "intend", "expect", "seek", "anticipate", "plan", "continue", "estimate", "predict", "potential" and similar terminology suggesting outcomes or statements regarding an outlook. Forward-looking information is included in the "Outlook" section of this MD&A as well as elsewhere in this document. Specifically, this document contains forward-looking information regarding, among other things, the effects of the Company's mining strategy on gold recovery rates and the environmental impact at its Atlanta Project; the impact of increasing the open-pit mining cut-off grade on the recoveries and economics of the Atlanta Project; the interpretation of exploration results received to date and the expected enhancement of the gold resource at the Atlanta Project following the completion of additional exploration; the economic and environmental benefits arising from, and the effectiveness of modifications to be made to, the gold extraction process being tested by the Company; the completion of additional bulk samples and test processing and the timing thereof; the development of a gold mine and potential commercial gold production levels at the Atlanta Project and the timing thereof; the completion of the ongoing financing and future financings and the use of proceeds therefrom; the continuance and enhancement of environmental initiatives, including the implementation of the Supplemental Plan of Operations (see "Recent Achievements"); the effectiveness of the passive water treatment system; the continuance of developmental initiatives including securing requisite permits; and the time needed prior to commencement of mining and production at Atlanta.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual events and the Company's actual results to differ materially from those predicted, expressed or implied by the forward-looking information and readers are cautioned not to unduly rely on such forward-looking information and to carefully consider the risks and uncertainties involved with respect to such forward-looking information. Such risks and uncertainties include, but are not limited to, the Company's limited financial resources and its ability to raise sufficient funds on a timely basis to fund the capital and operating expenses necessary to comply with the order of the Court against the Company's subsidiary, Atlanta Gold Corporation, including the payment of the $2 million penalty and any other penalties or sanctions which may be imposed, to fully implement the Supplemental Plan of Operations, to achieve its business objectives and to continue as a going concern; risks associated with the mining industry (including operating risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; uncertainties relating to the interpretation of the geology, continuity, grade and size estimates of the mineral resource; the uncertainty of estimates and projections in relation to production, costs and expenses); the uncertainty surrounding the ability of the Company to obtain and the expected time to obtain all permits, consents or authorizations required for its operations and activities; and health, safety and environmental risks, adverse weather conditions, and the risk of fluctuations in gold prices and foreign exchange rates.

Such forward-looking information is based on a number of assumptions, including but not limited to, the successful and timely completion of additional financings, the expected timelines necessary to complete and the successful completion of exploration, development, permitting and pre-production activities, the level and volatility of the price of gold, the accuracy of reserve and resource estimates (including with respect to size, grade and recoverability) and the geological, operating and price assumptions on which they are based, the ability to achieve capital and operating cost estimates, and general business and economic conditions. Should one or more risks materialize or should any assumptions prove to be incorrect, then actual results could vary materially from those expressed or implied by the forward-looking information.

Readers are cautioned that the foregoing list of risks, uncertainties, assumptions and other factors is not exhaustive. The Company undertakes no obligation to update publicly or revise any forward-looking information or the foregoing list of factors, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Information Concerning Estimates of Mineral Resources

The mineral resource estimates reported in this document were prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission ("SEC") applies different standards in order to classify mineralization as a reserve. In particular, while the terms "Measured," "Indicated" and "Inferred" mineral resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, "Inferred" mineral resources have a great amount of uncertainty as to their existence and their economic feasibility. It cannot be assumed that all or any part of an Inferred mineral resource will ever be upgraded to a higher category.

OVERVIEW
The Company's shares trade on the TSX Venture Exchange (TSX.V: ATG) and on the OTCQX (OTCQX: ATLDF).

The Company is engaged in the exploration, environmental permitting, engineering and development of the Atlanta Gold project ("**Atlanta Project**")**,** an advanced-stage gold exploration property near Atlanta, Idaho, U.S.A, through the Company's wholly-owned subsidiary, Atlanta Gold Corporation ("**AGC**").

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

The change in strategy required almost a complete restart of the resource definition. Over the next four years the Company outlined an Indicated mineral resource of 785,000 gold equivalent ounces within 7.77 million tons at an average grade of 0.101 ounces per ton ("**opt**") (3.46 grams per tonne) ("**gpt**") AuEq and an Inferred mineral resource of 397,300 gold equivalent ounces contained within 2.72 million tons at an average grade of 0.146 opt (5.01 gpt) AuEq. Approximately 74.3% of this resource is open pitable. Details of this resource, including gold and silver ounces and the respective grades thereof, are shown in the table below under "*NI 43-101 Resource Estimate*". Additional detail is available on SEDAR and the Company's website.

This more selective method of ore extraction positively addresses environmental concerns identified during previous permitting efforts. Management is confident that by continuing to work closely with environmental groups, the town of Atlanta and surrounding communities, federal, state and local agencies as well as other stakeholders, it will be successful in obtaining the regulatory approvals necessary to develop a combined open pit and underground mine at Atlanta in a timely manner.

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

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

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

NI 43-101 Resource Estimate

In January 2012, P&E Mining Consultants Inc. ("**P&E**") of Brampton, Ontario completed an independent updated resource estimate on the Company's Atlanta property in Idaho, USA. The estimate incorporates all drilling results to date, including the 56,924 foot (17,350 metre) core drilling program completed in 2011.

P&E estimates an Indicated mineral resource of 752,000 gold ounces within 7.77 million tons at an average grade of 0.097 opt (3.32 gpt) Au and an Inferred mineral resource of 385,900 ounces contained within 2.72 million tons at an average grade of 0.142 opt (4.87 gpt) Au. Using a gold to silver price ratio of 50.35:1, the updated Indicated mineral resource is 785,000 gold equivalent ("**AuEq**") ounces within 7.77 million tons at an average grade of 0.101 opt (3.46 gpt) AuEq and the Inferred mineral resource is 397,300 AuEq ounces within 2.72 million tons at an average grade of 0.146 opt (5.01 gpt) AuEq.

Details of the P&E resource estimate as at January 31, 2012 are provided in the following table:

		GOLD				SILVER				
			Grade			Grade				
Area	Tons (000's)	Cut-Off Grade Au (opt)	Ounces Per Ton Au	Grams Per Tonne Au	Ounces of Gold (000's)	Ounces Per Ton Ag	Grams Per Tonne Ag	Ounces of Silver (000's)	Ounces of Silver as Gold Equivalent (000's)	TOTAL EQUIVALENT OUNCES OF GOLD (000's)
OPEN -PIT:										
Indicated	7,140	0.035	0.091	3.13	652.4	0.218	7.47	1,556.4	29.6	682.0
Inferred	1,478	0.035	0.127	4.36	188.2	0.275	9.43	406.5	7.8	196.0
UNDERGROUND:										
Indicated	633	0.098	0.157	5.40	99.6	0.163	5.59	103.2	3.4	103.0
Inferred	1,239	0.098	0.160	5.47	197.7	0.153	5.25	189.6	3.6	201.3
TOTAL:										
Indicated	7,773		0.097	3.32	752.0	0.214	7.32	1,659.6	33.0	785.0
Inferred	2,717		0.142	4.87	385.9	0.219	7.52	596.1	11.4	397.3

1. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
2. The quantity and grade of reported Inferred resources in this estimate are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured mineral resource category.
3. The mineral resources in the above table were estimated using the CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions.
4. Gold equivalent ("AuEq") was calculated such that one ounce of Au = 50.35 ounces Ag. Metal prices used were the January 31, 2012 two-year trailing average for Au at $1,419/oz and Ag at $28.18/oz with respective mill recoveries of 83% for gold and 88% for silver. Prevailing metal prices at January 31, 2012 were $1,744.00 per ounce of gold and $33.60 for silver.

5. The historically mined tonnage from historic operations was removed from the block model.
6. Gold cut-off grades of 0.035 opt (1.20 gpt) for open pit and 0.098 opt (3.36 gpt) for underground resources were established from metal prices, expected recoveries, and estimated operating costs. Operating costs for the open pit resource estimate cut-off grade calculation were mining costs of $2 per ton, G&A expenses of $8 per ton and processing and concentrate shipping and smelter charges of $32 per ton. Operating costs for the underground resource estimate cut-off grade calculation were mining costs of $60 per ton; G&A expenses of $8 per ton and concentrate shipping and smelter charges of $42 per ton.

Mineral resources contained within a preliminary optimized pit shell are considered to be amenable to lower cost open pit extraction, whereas mineral resources below this are considered to be amenable to underground extraction. Open pit slopes were 50 degrees.

The average gold equivalent grade (including silver resources as a gold equivalent) of the open pit resource is 0.096 opt (3.28 gpt) AuEq in the Indicated resource classification and 0.133 opt (4.55 gpt) AuEq in the Inferred open pit resource classification. The average gold equivalent grade of the underground resource is 0.163 opt (5.58 gpt) AuEq in the Indicated resource classification and 0.162 opt (5.57 gpt) AuEq in the Inferred underground resource classification.

In light of the Company's decision to focus on environmental permitting and engineering and economic studies required to bring the Atlanta Project to production, in February 2012, P&E prepared a preliminary gold cut-off grade sensitivity analysis on the Atlanta Project's open-pit resource.

The open-pit contains 74.3% of the total NI 43-101 open-pit and underground resources, reflecting the density of diamond drilling in the upper portion of the resource. P&E's sensitivity analysis on the open-pit resource indicates that by increasing the open-pit cut-off grade from 0.035 opt (1.20 gpt) Au used in the January 2012 NI 43-101 resource estimate to 0.060 opt (2.06 gpt) Au, the potential exists to increase the average gold equivalent grade of that resource by 23.5% percent (from 0.102 opt (3.50 gpt) to 0.126 opt (4.32 gpt) Au, while decreasing the tonnage by 30.7% (from 8.62 to 5.97 million tons).

The impact of using higher cut-off grade sensitivity to the open-pit resource is shown in the table below.

	SELECTED CUT-OFF GRADES		TONS	GOLD			SILVER			GOLD EQUIVALENT		
				Grade			Grade			Grade		
	Au (opt)	Au (gpt)	(000s)	Ounces Per Ton Au	Grams Per Tonne Au	Ounces of Gold (000s)	Ounces Per Ton Ag	Grams Per Tonne Ag	Ounces of Silver (000s)	Ounces Per Ton AuEq	Grams Per Tonne AuEq	Equivalent Ounces of Gold (000s)
Indicated	**0.060**	**2.06**	**4,729**	**0.114**	**3.97**	**541**	**0.278**	**9.69**	**1,314**	**0.120**	**4.18**	**566**
	0.035	**1.27**	**7,140**	**0.091**	**3.13**	**652**	**0.218**	**7.47**	**1,556**	**0.096**	**3.35**	**682**
Inferred	**0.060**	**2.06**	**1,239**	**0.143**	**4.98**	**177**	**0.308**	**10.74**	**381**	**0.149**	**5.19**	**184**
	0.035	**1.20**	**1,478**	**0.127**	**4.36**	**188**	**0.275**	**9.43**	**407**	**0.133**	**4.64**	**196**

Detailed economic studies will be required to optimize the cut-off grade, however, this preliminary sensitivity analysis indicates the potential to improve the Net Present Value of the Atlanta Project by creating a higher grade alternative, which would be expected to reduce operating costs per ounce, raise recoveries and concentrate grades, and reduce capital costs and the environmental footprint of the Project.

The majority of the current resource is located between the surface and the 6,200-foot elevation (a vertical depth of 1,000 feet (305 metres) from the top of Atlanta Hill). Surface expressions of mineralized shear zones in the Atlanta Project area cover a horizontal distance of 50,000 feet (15,250 metres). These mineralized shear zones have hosted numerous past-producing mines since the 1860s.

Other Properties

The Company continues to hold other lower priority exploration properties including the Abitibi gold property in eastern Quebec ("**Abitibi**") and the Jackson Inlet diamond property on the Brodeur peninsula of Baffin Island ("**Brodeur**").

Abitibi gold property, Quebec, Canada:

The Company holds a 60% ownership interest in 27 claims comprising the Normar portion of the Abitibi property and a 2% net smelter return royalty on the 18 claims comprising the Malartic portion of the property in which Niogold Mining Corp. holds a 60% ownership interest. The Company relinquished in the third quarter of 2012 the Mouskor group of claims in which the Company had held a 60% interest. The Company also holds a 100% interest in an additional 13 mining claims in the Abitibi area.

Brodeur diamond property, Baffin Island, Canada:

Brodeur consists of 24 mineral claims located on the Brodeur Peninsula of Baffin Island covering approximately 61,980 acres (250 square kilometres). After management's decision in late 2007 to primarily focus on the development of the Atlanta Project, the Company has not incurred any exploration expenditures on Brodeur, but has maintained claims over the most prospective kimberlite drill targets and known diamondiferous kimberlite. The Company continues to hold a total of 51.1 carats of diamonds which were recovered from samples weighing a total of 248.4 tonnes. In December 2011, the Company accrued an estimated $200,000 in respect of restoration costs postponed to between June and September 2013, in connection with a report prepared in November 2010 by Indian and Northern Affairs Canada ("**INAC**"), following a site inspection undertaken by INAC officials in July 2010.

Atlanta Property History

Historic mining from 1860 to 1960 at Atlanta extracted 300,000 AuEq ounces at cut-off grades exceeding 0.4 opt (13.7 gpt) Au.

The Atlanta property was held by the Company from 1985 until 2007, with a plan to proceed on the basis of a low-grade open pit mine using a cyanide heap leach treatment to recover gold. This plan was abandoned by the Company at the end of 2007 as it was deemed not permitable, due to concerns arising from the use of cyanide.

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

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

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

Recent Achievements

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

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

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

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

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

- Additional iron was added behind the water control dam in the adit so that 75% of the 5,000 ppb arsenic (As) in the influent would be precipitated and captured in the primary bedded filter.

- Calcium carbonate ($CaCO_3$) and Ferric Iron ($FeSO_4$) were used to pre-treat the pond influent. The $CaCO_3$ raises the pH to approximately 7, and the $FeSO_4$ provides a bonding ion for the arsenic, both improving arsenic removal. Tests were run to confirm the effectiveness of these additives during periods of low water flow.

- The influent water samples to the final filters provided the Company with substantial scientific information that was required for AGC to make the decision to modify its SPOO in early 2013.

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

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

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

During the third quarter of 2012, the Company completed a 145-ton bulk sample from surface trenches at Atlanta located across from the Main Shear Zone and immediately east of the Monarch Shaft. Of the 145-ton bulk sample, 107 tons were processed at a test facility operated by Knife River. The test facility models Knife River's operating plant being used at the Gold Hill Mine, located approximately 50 miles from the Atlanta Project site, which successfully liberates the free gold content from the material, without the use of chemicals. The initial metallurgical test results confirm that the processing method successfully liberates the gold content present in the extracted material. Additional testing to customize the process for Atlanta to optimize recoveries of gold-bearing arsenic is continuing. The Company believes that the Knife River process will result in significant economic and environmental benefits being realized.

Achievements in Q1 of 2013:

- The Company developed its strategy for the Atlanta Project for 2013

- Wm. Ernest Simmons was appointed President and CEO of AGC

- The innovative passive water filtration system installed in October 2012 by AGC continued to remove better than 99% of the arsenic and approximately 99% of the iron.

- AGC selected a Steering Committee primarily comprised of Idaho residents to advise on and facilitate the transition of the Atlanta Gold Project through exploration and development.

Plan for Operations

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

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

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

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

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

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

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

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

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

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

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

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

This strategy offers an initial mine plan targeting development to be completed by mid-2014, focusing on maximizing grades and gold recovery from near-surface material at attractive capital and operating costs.

In order to sustain its operations, the Company requires additional funds to discharge its liabilities, including payment of the $2 million penalty imposed by the Idaho Court on AGC, to conduct its work program on the Atlanta Project and to meet its overhead expenses. The Company intends to complete a debt financing of senior secured notes (see “Liquidity and Capital Resources”). The Company may also seek additional capital by means of equity financings and/or additional debt financings. Challenging financial markets generally, and the impact of the environmental litigation involving AGC, have adversely affected the Company’s share price and its ability to finance planned activities and ongoing operations. While management believes that the Company will be successful in completing the Secured Note financing, delays in completing, or the inability to complete a significant portion of the financing will result in possibly significant delays in carrying out the Company's planned activities.

Environmental Matters

South-western Idaho is an environmentally sensitive area due to its proximity to the City of Boise and the presence of recreational rivers in the area. The Company believes that it has removed the most significant environmental hurdles by installing upgrades to the PWTF, modifying the process technology, planning to process high sulphide flotation concentrates out of state in order to reduce acid-generating capacity of waste tailings product on the Atlanta Project site, and by relocating the proposed processing facility and tailings management facility to a more advantageous area. In addition, the Company continues to have open communications with both USFS and environmental groups to ensure that all parties know what is being planned, and understand each other's concerns. This optimizes the Company's ability to create an environmentally friendly mining project at Atlanta.

Environmental Litigation

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

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

On January 9, 2012 the Court granted the motion for partial summary judgment sought by ICL and NEDC. The Court found that the levels of arsenic in the water discharge violated the effluent limits contained in the NPDES permit held by AGC. On July 19, 2012, the Court issued a Memorandum Decision (the "**Decision**") and ordered AGC to implement measures to come into compliance with the NPDES Permits by October 31, 2012, which date was subsequently extended by the Court to December 15, 2012. As described under "Recent Achievements", AGC has completed the installation of a passive water treatment system to the PWTF. Testing of the new system is continuing and it is believed that the system will enable AGC to maintain compliance with the effluent limits in the NPDES Permit. The Decision also imposed a $2,000,000 penalty against AGC to be paid by October 31, 2012. AGC requested and the Court granted a six-month extension for the time to pay the penalty to April 30, 2013. AGC has requested a further extension to pay the penalty by July 31, 2013. The outstanding penalty will bear interest at 0.17% per annum until it is paid in full. In November 2012, AGC reached a settlement agreement with ICL and NEDC in respect of reimbursement of their attorney fees and litigation costs incurred in their legal action against AGC.

AGC paid the first and second installments of $60,000 each on December 15, 2012 and April 15, 2013 respectively and the remaining $120,000 is to be paid in two equal $60,000 installments on July 15, 2013 and October 15, 2013, respectively.

The Company and / or AGC will require significant funding in excess of current financial resources to pay the $2 million penalty, to complete implementation of the SPOO and to carry out its planned development initiatives. The Company anticipates obtaining the funding through a Secured Note financing. If completion of that financing is delayed or it is not completed, the Company will need to complete other debt or equity financings to meet its obligations and carry out its planned activities.

OWNERSHIP OF ATLANTA PROPERTIES

Atlanta was initially held as a joint venture between AGC, with an 80% interest and Canadian American Mining Company, LLC ("**CAMC**") with a 20% participating interest. AGC subsequently acquired CAMC's interest and CAMC retains a 1% net smelter return royalty over Atlanta.

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

1. **<u>Monarch Greenback LLC</u>**

   On April 28, 2011, AGC exercised its option to purchase a 100% interest in a property comprised of 33 mining claims totalling approximately 430 acres (the "**Monarch Property**") from Monarch Greenback LLC ("**Monarch**") for $3,075,000. The purchase of the Monarch Property was completed on June 8, 2011. To assist in the financing of the purchase, the Company borrowed $3 million by way of a secured, non-interest bearing bridge loan (the "**Bridge Loan**") from Concept Capital Management Ltd. ("**CCM**"), which was subsequently repaid by the issuance by the Company of a 6% convertible debenture in the principal amount of C$3 million (the "**Debenture**"). Terms of the Bridge Loan and the Debenture are described below under "Debt Financing".

   Upon AGC exercising its option to purchase, rental payments totalling $290,000 per annum on the Monarch Property were terminated. Monarch retained a variable net smelter return royalty, varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding $665 per ounce. As at March 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.

2. **<u>Hill & Davis</u>**

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

3. **<u>F. C. Gardner</u>**

   AGC leases 31 unpatented lode claims pursuant to a lease agreement, as amended, with F. C. Gardner. The lease expires on April 18, 2016. Lease payments are currently $10,000 per year and are treated as minimum annual advance royalties. If these claims go into commercial production before expiry of the lease, then the annual minimum advance royalty will be $20,000. If this property is mined, F. C. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at March 31, 2013 advance royalty payments of $188,500 have been made and will be deducted from any future royalty payments to F. C. Gardner.

4. Hollenbeck Properties LLC

AGC leases 9 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease has been extended to November 14, 2013 and is renewable year to year thereafter at an amount to be negotiated. Lease payments of $10,000 per year are treated as minimum advance royalties. If this property goes into commercial production, then the annual minimum advance royalty will be $20,000. If it is mined, Hollenbeck will receive a 4.25% NSR, from which all advance royalty payments shall be deducted. As at March 31, 2013, advance royalty payments of $302,500 had been paid and will be deducted from any future royalty payments to Hollenbeck.

Annual rental and advance royalty payments are required to keep lease agreements in good standing for the properties that collectively comprise the Atlanta Project. Advance royalty payments to lessors are credited against future royalties payable on production. As at March 31, 2013 advance royalty payments totalling $1,991,000 will be deducted from any future royalty payments to lessors / royalty holders. Lease payments made in the first quarter of 2013 and advance royalty payments as at March 31, 2013 are summarized in the table below.

Lessor / Royalty Holder	Property	Payments in Q1 of 2013 $	Advance Royalty Payments as at March 31, 2013 $
Monarch Greenback, LLC(1)	Monarch Greenback	-	1,500,000
Frank C. Gardner (2)	Gardner	-	188,500
Hollenbeck Properties LLC (3)	Minerva	-	302,500
TOTAL		-	1,991,000

Notes:

(1) Rental payments to Monarch totalling $290,000 per annum were extinguished upon purchase of this property in June 2011.
(2) $10,000 annual lease payment was paid on May 1, 2012.
(3) $10,000 annual lease payment was paid on November 15, 2012 on the Hollenbeck claims. The lease currently runs to November 2013 and is renewable thereafter. Annual lease payments are credited towards future royalty payments.

DEBT FINANCING

Bridge Loan and Debenture

To assist in the financing of the purchase of the Monarch Property, the Company borrowed $3 million by way of the Bridge Loan, which was secured by a limited recourse guarantee of AGC with recourse limited to a mortgage on the Monarch Property. The Bridge Loan was repaid on December 14, 2011 upon issuance by the Company to CCM of the Debenture, and of warrants to purchase 30 million common shares of the Company. The warrants are exercisable for five years at a price of C$0.11 per share.

The Debenture matures on December 15, 2016, bears interest of 6% per annum commencing from July 11, 2011, and is convertible in whole or in part at the option of CCM at any time into common shares of the Company at a conversion price of C$0.10 per share (the "**Conversion Price**"). Interest on the Debenture is payable annually beginning December 14, 2012 and, at the election of the Company, may be paid in cash or, subject to the approval of the TSX Venture Exchange (the "**TSXV**"), in common shares at an issue price per share equal to the average of the closing prices of the Company's common shares on the TSXV for the 20 trading days ending 5 business days prior to the interest payment date or such higher issue price as may be required by the policies of the TSXV. On December 14, 2012, the Company issued 5,148,951 common shares in satisfaction of C$257,448 of accrued interest. If and for so long as an event of default occurs, interest will be payable at the rate of 8.5% per annum.

The Debenture is subordinated in right of payment of principal and interest to all secured debt of the Company, whether outstanding on or after the date of issue of the Debenture. AGC provided CCM with a guarantee of the Debenture, with recourse limited to a mortgage on the Monarch Property. The Company has agreed to not permit AGC to incur additional secured debt in excess of $10 million (subject to certain exceptions) without the prior consent of CCM, such consent not to be unreasonably withheld, conditioned or delayed.

After December 14, 2012, the Company has the right to redeem all or part of the Debenture if the closing price of the Company's common shares on the TSXV on each of the 27 consecutive trading days prior to notice of redemption being provided, is not less than C$0.35 (3.5 times the Conversion Price). Subject to the satisfaction of that condition, the Company will have the right to redeem all or part of the Debenture by paying the principal and accrued interest thereon plus a redemption fee of 6% if redeemed prior to December 14, 2013, 4% if redeemed prior to December 14, 2014 or 2% if redeemed prior to December 14, 2015. The Company must provide 30 days prior notice of redemption and CCM may elect to convert the Debenture into common shares prior to a redemption being effected.

CCM has the right to require the Company to redeem the Debenture at any time after December 14, 2014 and at any time following a change of control or merger transaction. A change of control means the acquisition by any person or group of persons acting jointly or in concert, of more than 50% of the issued and outstanding common shares of the Company. Merger means any transaction (whether by way of consolidation, amalgamation, merger, transfer, sale or lease) whereby all or substantially all of the Company's assets would become the property of any other person or in the case of any such consolidation, amalgamation or merger, of the continuing corporation or other entity resulting therefrom.

CCM has agreed that, without the prior consent of the TSXV, it will not exercise its conversion rights under the Debenture or exercise the warrants if following such conversion or exercise, it would beneficially own or exercise control or direction over more than 15% of the Company's then outstanding shares.

Gold Option

The Company and AGC entered into a gold option contract with CCM. AGC granted to CCM an option to purchase, at a price of $1,400 per troy ounce, an aggregate of 4,000 troy ounces of gold produced from the Atlanta Project. This option will vest after AGC has completed production from the Atlanta Project of 20,000 troy ounces of gold and will expire on the fifth anniversary following the date of vesting. The Company guaranteed the performance of AGC's obligations under the contract.

$425,000 Secured Promissory Note of AGC
On August 4, 2011, in partial payment for a 5.58 acre property located in Boise, Idaho purchased from 3N LLC, AGC issued a $425,000 three-year promissory note, bearing simple interest of 7% per annum, which is secured by a mortgage on the acquired property. AGC makes monthly principal and interest payments of $2,490 on the promissory note.

Overview of Financial Results

Debt and Equity Financing
The Company did not complete any equity financings during the first quarter of 2013 or during the first quarter of 2012.

In light of its limited cash position and working capital deficiency, shareholders and others including insiders of the Company, from time to time advance funds to the Company and AGC in the form of shareholders' loans. In April 2013, the Company received a $200,000 demand loan from Eric Sprott, a $200,000 demand loan from a director of the Company and a $300,000 demand loan from CCM, each bearing interest at 6% per annum and each of which are unsecured. A US$60,000 shareholder's loan to AGC bears interest at 4% per year.

Liquidity and Capital Resources
The mineral properties in which the Company currently has an interest are in the exploration stages and, consequently, the Company has no current source of operating revenue and is dependent on external financing to fund continued exploration and development of its mineral properties. Historically, the Company's principal sources of funding have been the issuance of equity securities for cash, and more recently, by the debt financing described under "Debt Financing".

Cash as at March 31, 2013 was $5,000 compared to $53,000 as at December 31, 2012. The environmental litigation against AGC and the challenging financial markets currently faced by companies in the gold sector generally have had a significant adverse affect on the Company's share price and on its ability to raise additional funds through equity financings in a timely manner.

Throughout 2012 and in the first quarter of 2013, the Company took a number of steps to conserve cash spending and complete additional financings. In January 2012, a member of senior management voluntarily agreed to a suspension of salary payments and certain consulting fees to other members of management were reduced or eliminated. In the fourth quarter of 2012, the Company issued 5,148,951 common shares, in satisfaction of approximately C$257,448 of interest, in accordance with the terms of the Debenture. During the second and third quarters of 2012, the Company issued a total of 20,335,909 common shares in satisfaction of a finder's fee of C$200,000 incurred in connection with the issuance of the Debenture and C$817,000 of outstanding trade payables and loans from shareholders. Effective January 1, 2013 two senior officers voluntarily agreed to defer, and the Company has accrued 50% of their salaries until the Note Financing (defined below) has been completed.

Notwithstanding the foregoing efforts, the Company had a working capital deficiency as at March 31, 2013 of $4,187,000 as compared to a deficiency of $3,593,000 as at December 31, 2012.

	As at	
	March 31, 2013	December 31, 2012
Cash and cash equivalents	$ 5,000	$ 53,000
Current assets	$ 119,000	$ 141,000
Current liabilities	(4,306,000)	(3,734,000)
Working capital (deficiency)	$ (4,187,000)	$ (3,593,000)

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

The working capital deficiency is expected to be addressed in the near term by completing a private placement debt financing of senior secured notes ("**Notes**") for gross proceeds of up to $9 million (the "**Note Financing**"). The Company announced its intention to complete the Note Financing by press release dated January 31, 2013 (at that time for gross proceeds of up to $8 million), and as of the date of this MD&A, the Company is finalizing the specific terms of the Note Financing. The Notes will be sold as part of a Unit, with each Unit consisting of $1.00 principal amount Notes and one common share purchase warrant, exercisable at C$0.10 per share.

It is anticipated that net proceeds from the Note Financing will be used for exploration, excavating and test processing of bulk samples, environmental permitting, engineering and development in respect of the Atlanta Project, payment of US$2 million Court award, implementation of the Supplement Plan of Operations ("SPOO") and for general working capital purposes.

Completion of the Note Financing is subject to the approval of the TSX Venture Exchange and the execution of definitive documentation. Certain insiders of the Company may participate in the Note Financing.

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

Equity

As at March 31, 2013, the Company had (a) 253,441,565 common shares issued and outstanding, (unchanged from December 31, 2012); (b) stock options outstanding to purchase 4,105,000 common shares (December 31, 2012 – 5,435,000) at exercise prices ranging from C$0.12 to C$0.60 per share and expiring between February 2014 and September 2015; and (c) Warrants to purchase 98,328,875 common shares (unchanged from December 31, 2012) of the Company at exercise prices ranging between C$0.05 and C$0.15 per share, expiring between July 2013 and December 2016. In certain instances, the expiry dates of certain warrants may be accelerated by the Company. Shareholders' equity as at March 31, 2013 was $37,048,000 compared to $37,443,000 as at December 31, 2012. Stock options outstanding as at March 31, 2013 had a weighted average exercise price of C$0.28 per share (March 31, 2012 - C$0.38 per share) and a weighted average life of 17 months (March 31, 2012 – 25 months).

General and Administrative Expenses

Corporate overhead expenses for the quarter ended March 31, 2013 were $362,000 compared to $321,000 for the quarter ended March 31, 2012. The increase in the first quarter of 2013 compared with the first quarter of 2012 was mainly due to an increase in professional and investor relations fees which was partially offset by decreases in administrative and office expenses, share-based compensation and travel and accommodation.

Capital Expenditures

Atlanta gold property, Idaho, USA:

Expenditures in the first quarter of 2013 of $303,000 included project administration, upgrading the water treatment facility, equipment rental, property carrying costs, applications for road construction permits and capitalized depreciation of exploration and evaluation assets.

In comparison, expenditures in the first quarter of 2012 of $235,000 were primarily in respect of preparing and filing a Supplemental Plan of Operations (SPOO) with respect to the reclamation and closure of the historic 900 Adit and Pilot Water Treatment facility and the preparation of an updated resource estimate on the Company's Atlanta property in Idaho, USA.

Contingencies and Commitments

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

(C$ in 000's)

		Payments Due by Period		
	Total	**Years 1 to 2**	**Years 3 to 4**	**Beyond Year 4**
Head office	54	54	-	-
Penalty, attorney fees and litigation costs	2,180	2,180	-	-
Implementation of Supplemental Plan of Operations *(1)*	1,696	1,696		
Long-term debt *(2) (3)*	4,108	878	3,230	-
Operating leases *(4)*	76	76	-	-
Other long-term obligations *(5)(6)(7)*	30	20	10	-
Total Contractual Obligations	8,144	4,904	3,240	-

(1) During the third quarter of 2012, the USFS granted approval of maintenance and additions to the existing Pilot Water Treatment Facility and underground evaluation for closure of the 900 level adit.

(2) See the description of the Debenture under "Debt Financing".

(3) *See the description of the $425,000 Secured Promissory Note under "Debt Financing".*
(4) *Operating leases include payments made pursuant to a lease agreement dated July 20, 2004 with Greene Tree, Incorporated, whereby AGC leased a 20.55 acre property and associated water rights in the Atlanta area. The agreement requires lease payments of $4,887.50 per month until June 30, 2014. Under the term of the agreement, AGC has a right of refusal to purchase the property and water rights.*
(5) *See "Ownership of Atlanta Properties: F.C. Gardner".*
(6) *CAMC retains a 1% net smelter royalty on Atlanta. See also "Ownership of Atlanta Properties".*
(7) *Monarch retains a variable net smelter return royalty, varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding $665 per ounce, on the 430-acre property purchased by AGC from Monarch in June 2011. As at December 31, 2012, advance royalty payments of $1,500,000 had been made by AGC and will be deducted from future royalty payments to Monarch.*

Details and a discussion of the environmental litigation are included in the "Environmental Matters" section above and in Note 9 Commitments and Contingencies to the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2013 and 2012.

First Quarter Results

General and administrative expenses for the quarter ended March 31, 2013 were $362,000 (2012 - $321,000). The increase in the first quarter of 2013 compared with the first quarter of 2012 was mainly due to an increase in professional and investor relations fees which was partially offset by decreases in administrative and office expenses, share-based compensation and travel and accommodation.

Cash used in operating activities for the quarter ended March 31, 2013 was $49,000 (2012 – $218,000). The decrease in the first quarter of 2013 compared with the first quarter of 2012 mainly resulted from slower payment of accounts payable.

Cash from financing activities for the quarter ended March 31, 2013 was $221,000 (2012 – $255,000). The decrease in the first quarter of 2013 compared with the first quarter of 2012 mainly resulted from a decrease in loans from shareholders.

Cash used in investing activities for the the quarter ended March 31, 2013 was $219,000 (2012 – $210,000) resulting from mineral property expenditures of $210,000 (2012 - $235,000) and equipment purchases of $9,000 (2012 - $7,000).

Summary of Quarterly Results

The following table discloses certain financial data for the eight most recently completed quarters, expressed in thousands of U.S. dollars (except basic per share data).

Quarter ended	**Total Revenues** *(4)*	**General and Administrative Expenses**	**Net Loss (Gain) (3)**	**Basic and Fully Diluted Loss (Gain) Per Share**
March 31, 2013	-	362	*452(1)(2)*	0.00
December 31, 2012	-	447	*343(1)(2)*	0.00
September 30, 2012	-	211	*2,530(1)(2)*	0.01
June 30, 2012	-	336	619*(1)(2)*	0.00
March 31, 2012	-	321	385*(1)(2)*	0.00
December 31, 2011	-	580	714*(1)(2)*	0.00
September 30, 2011	-	347	348*(1)(2)*	0.00
June 30, 2011	-	446	450*(1)(2)*	0.00

1. *Includes: Mineral property costs expensed as follows: $11,000 during the first quarter of 2013; $103,000 during the fourth quarter of 2012; Nil during the third quarter of 2012; $1,000 during the second quarter of 2012; Nil during the first quarter of 2012; $50,000 during the fourth quarter of 2011; $1,000 recovered during the third quarter of 2011; $1,000 during the second quarter of 2011.*
2. *Includes stock-based compensation expense charged as follows: $300 during the first quarter of 2013; $1,000 during the fourth quarter of 2012; Nil during the third quarter of 2012; $6,000 during the second quarter of 2012; $6,000 during the first quarter of 2012; $6,000 during the fourth quarter of 2011; $6,000 during the third quarter of 2011; $6,000 during the second quarter of 2011.*
3. *The Company has not incurred any losses arising from discontinued operations or extraordinary items in the last eight quarters.*
4. *Since the Company is not in production, it does not generate any revenue.*

The Company presently operates in two countries, Canada and the United States. The Company has an interest in three mineral properties. Two are gold properties and one is a diamond property**.** The Company's activities since early 2008 have focused on the Atlanta Project, an advanced stage gold exploration property.

The Atlanta Project's property is accessible by highway and county-maintained roads. The level of the Company's development activities at the Atlanta Project is impacted by winter weather conditions, resulting in lower overall levels of activity on the project during that season. To date, the Company has conducted exploration on a seasonal (May / June to October / November) basis. However, as the Atlanta Project advances towards the production stage and permanent camp and other facilities are constructed, the impact of adverse weather conditions is expected to be reduced and the Company intends to conduct exploration, development, mining and milling activities on a year-round basis.

The Company assesses, on a regular basis, whether any impairment has occurred in the carrying value of its mineral properties. If such impairment has occurred, a write-down is charged in the period that the impairment took place. In 2007, the Company wrote off the carrying value of its projects other than Atlanta. The Company has determined that no charges had to be taken against Atlanta in the first quarter of 2013.

Outlook
Atlanta Gold Property

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

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

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

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

As prescribed in the government approved SPOO and the Final Filter specifications for the Atlanta mine project, the first stage of the new and proprietary passive water treatment system was implemented to capture better than 99% of the arsenic. The Passive Filtration System at the Pilot Water Treatment Facility (PWTF) was installed in November 2012 (see news release dated November 13, 2012). The second stage, planned to expand the capacity of the PWTF to handle 600+ gallons per minute, is expected to be completed in Q3-2013. The final stage is to plug the 900 crosscut and complete the closure plan for the 900 site by December 2014.

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

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

In order to mobilize the needed equipment onto the site, AGC intends to build an 8km access road. This all seasons road is an indication of the Company's determination to address existing environmental conditions by relocating access routes, reducing the travel along drainages, protecting streams and tributaries, reducing storm water pollution by increasing the width of the buffer zones, eliminating the continuous use of exploration roads, providing a firebreak for the town of Atlanta and, last but not least, a safe entry and access route for all road users.

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

The Company has limited financial resources and no source of operating revenue. In the past, it has relied on debt / equity financings to maintain its exploration, environmental permitting, and engineering and development activities and meet its administrative costs. The Company continues to seek capital through various means including by the issuance of debt and equity financing and the possible joint venturing of a direct interest in the Atlanta Project. The environmental legal action against AGC by two environmental interest groups and the outcome thereof have adversely affected the Company’s ability to finance its activities and operations. If the Company experiences significant delays in obtaining additional funding necessary to fund its ongoing operating and capital requirements and for AGC to pay the penalty imposed by the Court on a timely basis, this may have a material adverse impact on the Company’s financial condition, business and plan of operations.

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

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

Off-Balance Sheet Arrangements
The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties
Remuneration of key management personnel during the three months ended March 31, 2013 was $135,000 (March 31, 2012 - $120,000). The Company received additional shareholders' loans of $221,000 (March 31, 2012 - $255,000) during the first three months of 2013.

Share Capital
As at May 23, 2013, the Company has 253,441,565 common shares outstanding, incentive stock options outstanding to purchase 4,105,000 common shares at prices ranging from C$0.12 to C$0.60 per share for terms ending between February 2014 and September 2015, and warrants outstanding to purchase 98,328,875 common shares at prices ranging from C$0.05 to C$0.15 per share, expiring between July 2013 and December 2016.

Accounting Policies

No new accounting policies were adopted in the first quarter of 2013. The Company is presently assessing the impact of the following accounting standards which have been issued but not applied: IFRS 7, Financial Instruments: Disclosure, IFRS 9, Financial Instruments, IFRS 10, Consolidation, IFRS 13, Fair Value Measurement and IAS 1, Presentation of Financial Statements.

Uncertainties and Risk Factors

The Company does not currently hold any interest in a mining property in production and its future success depends upon its ability to find, develop, exploit and generate revenue from mineral deposits, whether through profitable operations or from proceeds of disposition of assets. Exploration and development of mineral deposits involve significant financial risks, which even a combination of careful evaluation, experience and knowledge may not eliminate and there can be no assurance that the Atlanta Project or any of the Company's other properties will ultimately be developed into a profitable mining operation. As a result, the securities of the Company must be considered speculative and readers should carefully consider the following factors:

Financing Risk

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

Litigation Risk

The mining industry is frequently subject to legal claims, particularly with respect to environmental matters. The Company's subsidiary, AGC, has been ordered to pay a penalty in the amount of $2,000,000 plus interest thereon by April 30, 2013. AGC has requested a further extension to pay the penalty by July 31, 2013. The outstanding penalty bears interest at 0.17% per annum until it is paid in full. If AGC is unable to pay the penalty and related interest within the allotted time, the Court may impose additional financial or other sanctions, which could be significant. The Court's Decision, as amended, also ordered AGC to achieve compliance with the terms of the NPDES Permit regulated under the Clean Water Act by December 15, 2012. Initial results from this system, including weekly water sampling and independent lab analysis, demonstrate that the PWTF is currently removing better than 99% of arsenic, and approximately 99% of the iron from the water prior to discharge into Montezuma Creek. Testing of the system is continuing and there can be no assurance that full compliance will be maintained until testing has been completed and the SPOO is completed in 2014.

Exploration and Development

Exploration for gold and other minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. There can be no assurance that exploration efforts will result in the discovery of additional mineralization. Existing mineral resource estimates for the Atlanta Project included herein are estimates only, and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that identified mineral resources will ultimately qualify as a commercially viable deposit that can be legally and economically exploited. In addition, the grade of mineralization which may ultimately be mined may differ from that indicated by drilling results and resource estimates and such differences could be material.

Development projects rely on the accuracy of predicted factors, including capital and operating costs, metallurgical recoveries, mineral resource and reserve estimates and, in the case of Atlanta, future prices for gold and to a lesser extent, silver. Development projects are also subject to accurate pre-feasibility or feasibility studies, the acquisition of water and land rights, including land required for necessary infrastructure relating to the development project and the issuance of necessary governmental permits. Due to the number of years and substantial expenditures required from the time of initial drilling to production, the economic feasibility of production and level of profitability may change due to changes in mineral prices, commodity prices, labour and equipment costs and/or other factors which may result in material cost overruns versus budgeted amounts.

Environmental Factors

The mining industry is subject to environmental regulation by federal, state and local authorities. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased penalties for non-compliance and more stringent environmental assessments of proposed projects. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or result in significant costs and liabilities in the future.

Governmental Regulation and Permits

Exploration and development activities and mining operations are subject to extensive federal, state and local laws and regulations governing exploration, development, production, occupational health and safety, waste disposal, protection and remediation of the environment, reclamation, taxes and other matters. Compliance with such laws and regulations necessarily imposes costs and may result in delays in planning, designing, developing, constructing, operating, and closing mines and other facilities. There can be no assurance that future changes in such laws and regulations, if any, will not adversely affect the Company's operations. The Company's operations require licenses and permits from various governmental authorities. Obtaining these licenses and permits is a complex and time-consuming process involving numerous jurisdictions and regulatory authorities. While the Company has been successful in the past in obtaining the requisite permits and licenses, there can be no assurance that the Company will be able to obtain all necessary permits that may be required to carry out exploration, development and mining operations.

Dependence on Key Personnel, Consultants and Contractors

The Company currently has a small management group and has used a limited number of consultants and contractors, which is sufficient for the Company's present stage of activity. However, the Company is highly dependent on the principal members of its senior management group and the loss of one or more of their services could have an adverse effect on the Company's operations and future development and growth.

Capital and Operating Estimates

The Company's projected capital and operating cost estimates have been developed only to an approximate order of magnitude based on generally understood capital cost to production level relationships and they are not based on any systematic engineering studies, so the ultimate costs may vary widely from estimated amounts and may take longer than normal to optimize. As is normal at this stage of a project, data is incomplete and estimates were developed based solely on the expertise of the individuals involved. At this level of engineering, the criteria, methods and estimates are very preliminary and require a high level of subjective judgment. There can be no assurance that the Company's operating and financial estimates will be realized, and differences from actual results may be material.

Secured Convertible Debenture

The Company's Debenture is guaranteed by AGC and is secured by a mortgage on AGC's Monarch Property. Should the Company fail to comply with its obligations under the Debenture, the lender could seek to enforce its mortgage security which could result in AGC losing its interest in the Monarch Property, which comprises a substantial portion of the Atlanta Project. If the lender elects to convert all or a portion of the Debenture into common shares of the Company or if the lender elects to exercise any of the warrants received by it in connection with the issuance of the Debenture, the holdings of the Company's existing shareholders will be diluted.

Share Price Fluctuations

The securities markets in Canada and elsewhere generally, and the Company's shares specifically, have in recent years experienced a high level of price volatility. The market prices of securities of many companies, including those like the Company, considered to be development-stage companies, have experienced wide fluctuations in price which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurances that continuing fluctuations in the Company's share price will not occur.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

May 23, 2013