

## **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, 2014 and 2013 has been prepared as of May 21, 2014.*

*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, 2014 and 2013 and the audited consolidated financial statements of the Company for the year ended December 31, 2013. 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](http://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 future financings and the use of proceeds therefrom; the continuance and enhancement of environmental initiatives, including the implementation of the Supplemental Plan of Operations; the completion of the reclamation program at the Brodeur diamond property; the continued 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. In addition, statements relating to mineral resources are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described can be profitably produced in the future.

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, 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 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. These and other factors should be considered carefully by readers, who should not place undue reliance on such forward-looking information. 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.

### **Cautionary Note to United States Investors 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. The United States Securities and Exchange Commission (the “**SEC**”) applies different standards in order to classify and report mineralization. This document uses the terms “measured”, “indicated” and “inferred” mineral resources, as required by NI 43-101. Readers are advised that although such terms are recognized and required by Canadian securities regulations, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Readers are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into mineral reserves. In addition, “inferred” mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource exists, is economically or legally mineable or will ever be upgraded to a higher category of mineral resource.

## 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 unpermissible. In 2008, the decision was also made to process the ore on site, making both a gravity gold concentrate and a precious metal rich sulphide concentrate, thereby also minimizing 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 of Idaho, 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.

## 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:

Area	Tons (000's)	GOLD				SILVER				TOTAL EQUIVALENT OUNCES OF GOLD (000's)
		Cut-Off Grade Au	Grade		Ounces of Gold (000's)	Grade		Ounces of Silver (000's)	Ounces of Silver as Gold Equivalent	
			Ounces Per Ton Au	Grams Per Tonne Au		Ounces Per Ton Ag	Grams Per Tonne Ag			
<b>OPEN -PIT:</b>										
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
<b>UNDERGROUND:</b>										
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
<b>TOTAL:</b>										
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.

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**"). As the Company's focus continues to be on developing the Atlanta Project, the Company allowed its interest in the mineral claims comprising the Jackson Inlet diamond property located on the Brodeur peninsula of Baffin Island ("**Brodeur**") to lapse during 2013, rather than incur further expenditures necessary to maintain the claims. The Company completed a portion of its restoration obligations at Brodeur in August 2013 and March and April 2014, and will complete the balance of the restoration during the summer of 2014.

### *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 100% interest in an additional 13 mining claims in the Abitibi area.

## **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 has been held by the Company since 1985.

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. Also in early 2008, the Company decided to identify the potential for a combined open pit and underground operation with gold recovered in a process plant that combined 25% of the gold from a table gravity concentrate, and 75% from a flotation sulphide concentrate, to be sold to a Nevada processor.

Exploration core drilling carried out by the Company from 1985 through 2012 resulted in an updated resource of 785,000 gold equivalent ounces in the indicated resource category and 397,300 gold equivalent ounces in the inferred resource category.

Bench and pilot scale testing of various water/gravity processes, carried out by AGC from 2012 through 2013, indicate that gold concentration and recoveries greater than 80% are possible without the use of any chemicals.

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

## **Recent Achievements:**

AGC continues to be in compliance with the discharge standards of the United States Federal Water Pollution Control Act (the “**Clean Water Act**”). AGC resolved the environmental issues arising from the naturally occurring arsenic, iron and other contaminants entering waterways as a result of ground water passing through historic mined out areas near the Atlanta Project. AGC installed an innovative water treatment facility in October 2012 and expanded it in 2013, which has resulted in the achievement of better water quality than mandated by the thresholds set by the U.S. Environmental Protection Agency. The Company expects to complete the construction of a water-plug at the 900-level cross-cut during 2015, so as to manage the flow of water and ensure continuing compliance with the Clean Water Act.

## **Plan for Operations**

The Company’s primary focus remains on environmental permitting, economic analysis, engineering and development, and developing the organizational depth required to take the Atlanta Project through this next phase. The Company intends 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 metallurgical testing and processing of the bulk samples recovered in the third quarter of 2012 and additional samples taken in 2013 from the structure where

the proposed expanded trenches will be located in 2014, which are along the main Shear on private land. 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.

In the third quarter of 2012, Knife River transported and crushed 107 of the 145 tons of bulk sample material from surface trenches at Atlanta located across from the Main Shear Zone and immediately east of the Monarch Shaft. 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 sample was crushed down to a feed size of 1/8" and 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 107-ton sample was processed in two days through the gravity-washed system, and samples were assayed at four collection points in the system (feed, sluice carpet, under jig 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.

The initial bulk sample of 107 tons processed in August 2012 recovered 20% of the free gold values from an average feed of 0.051 ounces per ton (opt) Au. The results indicated that while the processing successfully liberated gold, processing of the initial bulk sample left significant amounts of gold behind in the tailings.

Reprocessing in June 2013 of 11 tons of the materials remaining from the initial bulk sample and grinding to -20 mesh liberated additional gold and heavy metals and produced a concentrate of 18.896 opt Au which was verified by an independent mine laboratory. The objective for Final Recovery testing was to determine if the onsite gravity recovery system would produce a concentrate using only water as a medium. This testing supported the hypothesis that gravity separation is a viable option.

Bulk stock material was fed by hopper conveyor feeder to a ball mill and the outflow slurry delivered to a custom sluicing system with an 8 foot long spreading flume and into a 30 inch wide by 4 foot long sluice box containing low profile riffles.

The sluice concentrates were collected after each 2,000 lb run. The concentrates were taken back to the shop, screened through a -20 mesh screen and the -20 mesh was upgraded / cleaned on a 4x8 shaker table, producing more than 26.58 lbs of heavy concentrate obtained from processing 11 tons of the feed material.

The +20 mesh, shaker table tails, -20 mesh sluice concentrates, head feed samples, sluice tailings and overflow slimes were saved, dried, sealed and sent for assay. Notable amounts of fine, free gold were visible in the concentrate from approximately -20 mesh down to the finest gold the human eye can detect.

Using grinding, roasting and bottle roll digestion, recovery rates increased to 88.9% in the first test

and 94.7% in the second test. Additional lab work will be needed to optimize grinding and processing at a selected toll recovery facility located out of state. Management is very pleased with this initial result which demonstrates that with some fine tuning on the gravity test the Company will be able to maximize the recovery of the metals from onsite concentrates that are of a quality that justify toll processing and refining costs.

Testing to date confirms that an ongoing program will be necessary to customize the process for the material extracted from the exploration trenches, and to optimize recoveries.

Eric Berentsen, the Vice-President of AGC and a director of the Company, is a Registered Member of the Society for Mining Metallurgy and Exploration, Inc. (SME) and is the Company's qualified person as defined by NI 43-101 and has approved the foregoing disclosure of test results.

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, to conduct its work program on the Atlanta Project and to meet its overhead expenses. The Company intends to seek additional capital by means of equity financings and/or additional debt financings. Challenging financial markets and the decline in gold prices 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 ultimately be successful in obtaining additional financing, delays in completing, or the inability to complete additional financings will result in significant delays in carrying out the Company's planned activities and will adversely affect the Company's ability to fund its commitments under the senior secured notes, which will have a material adverse effect on the Company's financial condition, business and operations.

## **Environmental Matters**

Southwestern 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 achieving compliance with the effluent limits of the Clean Water Act, modifying the process technology, planning to process high sulphide 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 the United States Forest Service ("USFS") to ensure that it knows what is being planned, and all parties 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 in 1917 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 began operating a pilot water treatment facility ("PWTF") which treated 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.

Following complaints filed by two environmental interest groups, in 2012, the United States District Court for the State of Idaho held that AGC had violated the effluent limits of the Clean Water Act. The Court imposed a \$2,000,000 penalty against AGC and ordered AGC to implement measures to come into compliance with the effluent discharge limits. AGC subsequently completed the installation of a passive water filter system to the PWTF and AGC has successfully maintained compliance with the requirements of the Clean Water Act.

In September 2013, the Court entered a final judgment in this matter pursuant to which the penalty would be paid over a five-year period. The judgment required AGC to pay \$50,000 in August 2013, which payment was made by AGC. In addition, AGC is required to pay \$25,000 per quarter for the first year, with the initial and second installments being paid on December 31, 2013 and March 31, 2014; \$75,000 per quarter for the second year; \$100,000 per quarter for the third, fourth and fifth years; and a balloon payment in the amount of \$450,000 due September 30, 2018, at which time the penalty will be paid in full. The penalty amount bears interest at a rate of 0.1% per annum from November 28, 2012 and is secured by recording the Consent Judgment against AGC's East Amity Road property located in Boise, Idaho and by a security interest, granted to the U.S. Attorney's office, in four generators owned by AGC located on the East Amity property. AGC has made all payments required to date.

## **OWNERSHIP OF ATLANTA PROPERTIES**

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

### **1. Monarch Greenback LLC**

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, 2014, 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. 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.

**3. F. C. Gardner**

AGC leases 31 unpatented lode claims pursuant to a lease agreement, as amended, with F. C. Gardner. The lease expires on April 18, 2016. Lease payments are currently \$10,000 per year and are treated as minimum annual advance royalties. If these claims go into commercial production before expiry of the lease, then the annual minimum advance royalty will be \$20,000. If this property is mined, F.C. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at March 31, 2014 advance royalty payments of \$198,500 have been made and will be deducted from any future royalty payments to F. C. Gardner.

**4. 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, 2014 and is renewable year to year thereafter at an amount to be negotiated. Lease payments of \$10,000 per year are treated as minimum advance royalties. If this property goes into commercial production, then the annual minimum advance royalty will be \$20,000. If it is mined, Hollenbeck will receive a 4.25% NSR, from which all advance royalty payments shall be deducted. As at March 31, 2014, advance royalty payments of \$312,500 had been paid and will be deducted from any future royalty payments to Hollenbeck.

Annual rental and advance royalty payments are required to keep lease agreements in good standing for the properties that collectively comprise the Atlanta Project. Advance royalty payments to lessors are credited against future royalties payable on production. As at March 31, 2014, advance royalty payments totalling \$2,011,000 will be deducted from any future royalty payments to lessors / royalty holders. Lease payments made in the first quarter of 2014 and advance royalty payments as at March 31, 2014 are summarized in the table below.

<b>Lessor / Royalty Holder</b>	<b>Property</b>	<b>Payments in Q1 of 2014 \$</b>	<b>Advance Royalty Payments as at March 31, 2014 \$</b>
Monarch Greenback, LLC <sup>(1)</sup>	Monarch Greenback	-	1,500,000
F. C. Gardner <sup>(2)</sup>	Gardner	-	198,500
Hollenbeck Properties LLC <sup>(3)</sup>	Minerva	-	312,500
<b>TOTAL</b>		-	2,011,000

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, 2013.*
- (3) *\$10,000 annual lease payment was paid on November 15, 2013 on the Hollenbeck claims. The lease currently runs to November 2014 and is renewable thereafter.*

## DEBT FINANCING

### 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. In December 2012, the Company issued 5,148,951 common shares in satisfaction of C\$257,448 of accrued interest and in December 2013, issued 3,600,000 common shares to CCM, in satisfaction of C\$180,000 of interest, in each instance at a deemed issue price of C\$0.05 per share. If an event of default occurs, interest on the Debenture will be payable at the rate of 8.5% per annum, for so long as the default continues.

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.

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 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 interest payments of \$2,490 on the promissory note. In March 2014, the maturity date of the promissory note was extended to July 22, 2015 with all other terms and conditions of the note remaining unchanged.

#### **Secured Notes**

On August 19, 2013, the Company completed the private placement of units consisting of senior secured notes ("**Secured Notes**") and warrants to purchase common shares of the Company. The Company issued \$4 million principal amount Secured Notes and warrants to purchase 4,000,000 common shares. Insiders of the Company purchased 12.5% of the placement and CCM purchased 32.5% of the placement.

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

Each warrant entitles the holder to purchase one common share of the Company for C\$0.10 per share until August 31, 2016. The Company will have the right to accelerate the expiry date of the warrants if the closing price of the Company's common shares on the TSXV exceeds C\$0.25 for 20 consecutive days on which the Company's shares trade.

Purchasers of the units also received options exercisable until August 31, 2016 to purchase an aggregate of 95.0 troy ounces of gold at \$1,125 per ounce for each 100,000 units purchased (\$100,000). The options to purchase gold vest as to 25% on August 31, 2014, 35% on August 31, 2015 and 40% on August 31, 2016. A total of 3,800 ounces of gold were optioned by the Company in respect of this financing. Under the terms of the gold options, either the Company or the option holder may elect that the gold delivery requirement be satisfied by means of a cash payment based on the prevailing market price for gold at the time of exercise of the option.

#### **Overview of Financial Results**

Cash used in operating activities for the quarter ended March 31, 2014 was \$281,000 (2013 - \$49,000). The increase in the first quarter of 2014 over the first quarter of 2013 reflects that payments of the Company's payables and accrued liabilities were increased in the first quarter of 2014, following completion of the Secured Note financing.

Cash from financing activities for the quarter ended March 31, 2014 was \$287,000 (2013 - \$221,000). The increase in the first quarter of 2014 compared with the first quarter of 2013 resulted from an increase in loans from shareholders.

Cash used in investing activities for the quarter ended March 31, 2014 was \$503,000 (2013 - \$219,000) resulting from mineral property expenditures of \$255,000 (2013 - \$210,000), property, plant and equipment purchases of \$192,000 (2013 - \$9,000) and payment of rehabilitation of \$56,000 (2013 - Nil).

### ***Debt and Equity Financing***

The Company did not complete any equity financings during the first quarter of 2014 or during the first quarter of 2013.

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. During the first quarter of 2014, the Company supplemented its cash position, pending completion of a financing, by borrowing \$271,370 from directors and shareholders. The loans bear interest of 8% per annum and are repayable on demand after September 19, 2014.

### ***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 financings described under "Debt Financing".

The decline in gold prices 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. In addition, uncertainty arising from the environmental litigation involving AGC (since resolved) has adversely affected the Company's share price and financing efforts.

The Company's cash position as at March 31, 2014 was \$224,000 compared to \$721,000 as at December 31, 2013. The Company's working capital deficiency as at March 31, 2014 was \$3,787,000 compared to a deficiency of \$3,408,000 as at December 31, 2013.

	<b>As at</b>	
	<b>March 31, 2014</b>	<b>December 31, 2013</b>
Cash and cash equivalents	\$ 224,000	\$ 721,000
Current assets	\$ 310,000	\$ 812,000
Current liabilities	(4,097,000)	(4,220,000)
Working capital (deficiency) <sup>(1)</sup>	\$ (3,787,000)	\$ (3,408,000)

<sup>(1)</sup> 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.*

As the Company is in the development stage, it has no ongoing source of cash flow. The Company intends to raise between C\$4 to C\$5 million in the short term, by means of one or more equity financings but possibly by means of the issuance of debt securities, or by a combination of both equity and debt. The terms of such financings have not been determined. There can be no assurance that the Company will be successful in completing the financings proposed and if the financings are delayed or are not completed, the Company will, in the short term, be required to reduce planned expenditures and / or rely on other sources of funds, which may include additional shareholder loans. The Company may also consider the sale of non-core assets to assist it in meeting its ongoing capital requirements. In the longer term, the Company will require additional financing to finance its exploration and development activities and to meet its debt servicing obligations. Additional funding may be in the form of equity and / or debt or also by obtaining direct investments in the Atlanta Project by joint venture partners. The inability to obtain additional funding on a timely basis will have a material adverse effect on the financial condition, business and operations of the Company and AGC.

### ***Equity***

As at March 31, 2014, the Company had (a) 257,041,565 common shares issued and outstanding, (December 31, 2013 – 257,041,565); (b) stock options outstanding to purchase 2,055,000 common shares (December 31, 2013 – 4,105,000) at exercise prices ranging from C\$0.12 to C\$0.60 per share and expiring between April 2014 and September 2015; and (c) Warrants to purchase 59,733,333 common shares (December 31, 2013 - 59,733,333) of the Company at exercise prices ranging between C\$0.10 and C\$0.15 per share, expiring between October 2014 and December 2016. In certain instances, the expiry dates of certain warrants may be accelerated by the Company. Shareholders' equity as at March 31, 2014 was \$35,022,000 compared to \$35,485,000 as at December 31, 2013. Stock options outstanding as at March 31, 2014 had a weighted average exercise price of C\$0.24 per share (December 31, 2013 - C\$0.28 per share) and a weighted average life of 12 months (December 31, 2013 – 8 months).

### ***General and Administrative Expenses***

Corporate overhead expenses for the quarter ended March 31, 2014 were \$162,000 compared to \$362,000 for the quarter ended March 31, 2013 with the decrease attributable to lower professional fees, salaries and management fees and investor relations fees during the first quarter of 2014.

### ***Capital Expenditures***

#### **Atlanta Project, Idaho, USA:**

Capital expenditures in the first quarter of 2014 were \$367,000 and included expenditures on project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the 900 adit.

In comparison, 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.

Exploration and evaluation expenditures for the Atlanta Project for the three months ended March 31, 2014 and 2013 are shown in the table below.

	For the three months ended	
	March 31, 2014	March 31, 2013
<b>Opening Balance</b>	\$ 44,274,702	\$ 43,167,861
Geology / geophysics		
Equipment rental	2,016	26,549
Field expenses	3,258	2,571
Salaries	173,761	117,809
Lab analysis	12,756	1,207
Project administration	63,398	61,588
Depreciation - field equipment	112,108	93,730
<b>Total Increase During the Period</b> <sup>(1)(2)</sup>	\$ 367,297	\$ 303,454
<b>Closing Balance</b>	\$ 44,641,999	\$ 43,471,315

- (1) Additions in three months ended March 31, 2014 include expenditures on project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the 900 adit.
- (2) Additions in three months ended March 31, 2013 include expenditures on 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.

**Property, plant and equipment:**

The net additions to property, plant and equipment for the quarter ended March 31, 2014 were \$80,000, including land, building and equipment purchase, water treatment facility additions and capitalized interest on the East Amity Road property, which was reduced by depreciation expenses.

In comparison, net disposals to property, plant and equipment for the quarter ended March 31, 2013 were \$84,000, including water treatment facility additions and capitalized interest on the East Amity Road property, which was reduced by depreciation expenses.

**Contingencies and Commitments**

The Company has made commitments in respect of its head office leases, payments against 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:

(\$ in 000's)

	Total	Payments Due by Period		
		Years 1 to 2	Years 3 to 4	Beyond Year 4
Head office	21	21	-	-
Penalty, attorney fees and litigation costs	1,900	550	800	550
Implementation of Supplemental Plan of Operations <sup>(1)</sup>	1,324	1,324	-	-
Rehabilitation provisions <sup>(9)</sup>	146	146	-	-
Long-term debt <sup>(2) (3)(4)</sup>	8,802	4,084	4,718	-
Operating leases <sup>(5)</sup>	18	18	-	-
Other long-term obligations <sup>(6)(7)(8)</sup>	20	20	-	-

<b>Total Contractual Obligations</b>	12,231	6,163	5,518	550
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- (1) During the third quarter of 2012, the USFS granted approval of maintenance and additions to the existing Pilot Water Treatment Facility and closure of the 900 level adit, to be completed during 2015.
- (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) See the description of the Secured Notes under “Debt Financing”.
- (5) Operating leases include payments made pursuant to a lease agreement dated July 1, 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 terms of the agreement, AGC has a right of refusal to purchase the property and water rights.
- (6) See “Ownership of Atlanta Properties: F.C. Gardner”.
- (7) Canadian American Mining Company LLC retains a 1% net smelter royalty on the Atlanta Project.
- (8) 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 March 31, 2014, advance royalty payments of \$1,500,000 had been made by AGC and will be deducted from future royalty payments to Monarch.
- (9) The second phase of the restoration program at the Brodeur diamond property will be completed in the summer of 2014.

Details and a discussion of the environmental litigation are included in the “Environmental Matters” section above and in Note 13 Commitments and Contingencies to the Company’s audited consolidated financial statements for the year ended December 31, 2013 and Note 10 Commitments and Contingencies to the Company’s unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014.

### 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 ( <sup>4</sup> )	General and Administrative Expenses	Net Loss (Income) ( <sup>3</sup> )	Basic and Fully Diluted Loss (Income) Per Share
March 31, 2014	-	162	(1,567) <sup>(1)(2)(5)</sup>	(0.01)
December 31, 2013	-	215	(3,045) <sup>(1)(2)(5)</sup>	(0.01)
September 30, 2013	-	308	637 <sup>(1)(2)</sup>	0.00
June 30, 2013	-	470	568 <sup>(1)(2)</sup>	0.00
March 31, 2013	-	361	451 <sup>(1)(2)</sup>	0.00
December 31, 2012	-	442	343 <sup>(1)(2)</sup>	0.00
September 30, 2012	-	211	2,530 <sup>(1)(2)</sup>	0.01
June 30, 2012	-	336	449 <sup>(1)(2)</sup>	0.00

- (1) Includes: Mineral property costs expensed as follows: \$1,000 during the first quarter of 2014; Nil during the fourth quarter of 2013; \$28,000 during the third quarter of 2013; Nil during the second quarter of 2013; \$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.
- (2) Includes stock-based compensation expense charged as follows: Nil during the first quart of 2014; Nil during the fourth quarter of 2013; \$67 during the third quarter of 2013; \$166 during the second quarter of 2013; \$324 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.*

- (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.*
- (5) *Net income in the first quarter of 2014 and fourth quarter of 2013 arose from the foreign exchange gain which primarily arose from the impact of the translation of intercompany loans by the Company to AGC.*

The Company presently operates in two countries, Canada and the United States. The Company has an interest in two mineral properties, both of which are principally gold properties. In December 2013, the Company elected to have its interest in the Brodeur diamond property lapse. 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 somewhat 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. The Company has determined that no charges had to be taken against the Atlanta Project in 2013. The Company wrote-off the carrying value of its Quebec gold property in 2007.

## ***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. Notwithstanding the recent decline in gold prices, in the longer term, 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 expected to provide 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 continues to invest in equipment, infrastructure and property, has increased the depth of its operational team and has made progress in reducing historic royalties, all of which serve to advance the Atlanta Project, reduce future capital and operating costs and demonstrate the continuing confidence that management has in the Atlanta Project.

The Company is focusing on safeguarding the environment, environmental permitting, economic analysis, engineering and development. It intends to complete metallurgical testing of the samples produced from the trenches in 2012 and 2013 which will produce information to advance the feasibility of initiating pilot scale gold processing in advance of commercial gold production.

The plan for 2014 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 complete a one hundred and fifty thousand (150,000) ton bulk sample so as to determine the most effective gravity recovery system for mining and processing of the Atlanta Project lode in both the oxide and sulfide zones.

The passive water filtration system was installed in October 2012 and expanded during 2013. The final stage of the government-approved SPOO is to plug the 900 crosscut and complete the closure plan for the 900 level adit site by December 2015.

Results to date from concentrate produced from the 107-ton bulk sample processed in August 2012 have confirmed beneficiation using the gravity recovery procedure of greater than 83% from concentrate. The 83% recovery 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. To advance the project, the Company needs additional funding and positive metallurgical results expected to generate a quality recovery standard in excess of 83%.

AGC intends to construct an "all seasons" access road. 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 "Gold Claim" 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 to commence in Q2 of 2015 and should take approximately three weeks to be completed.

During the 2014 season, access to the site will be by Forest Service road FS207. This road is located adjacent to Montezuma Creek and has been the historic access to the property. Conditional approval has been granted by the United States Forest Service (see news release dated February 4, 2014) to maintain approximately 2 miles of this road which will include, but not be limited to, widening the road, establishing safety berms in certain areas and installing water bars, ditches, silt fences and catch basins to minimize erosion. Once the primary access road is constructed (Gold Claim road) in 2015, this road will be maintained as a firebreak and to allow emergency exit from the project site and the town of Atlanta. This project will take approximately three weeks to complete.

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 previous environmental legal action against AGC by two environmental interest groups has adversely affected the Company's ability to finance its activities and operations. However, with the entry of the final judgment, including in respect of a five-year payment plan and AGC's success in implementing water treatment initiatives so as to comply with the NPDES

permit requirements, management believes that a significant amount of uncertainty regarding the Atlanta Project has been eliminated. However, if the Company experiences significant delays in obtaining additional funding necessary to fund its ongoing operating and capital requirements on a timely basis, this will 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 considerable Indicated and Inferred Resources and significant potential to develop known gold deposits within the boundaries of property controlled or owned by the Company 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***

The remuneration of key management personnel during the three months ended March 31, 2014 was \$152,998 (March 31, 2013 - \$134,526), of which half of a senior officer's salary was unpaid. The Company had accrued \$181,669 (December 31, 2013 - \$261,846) of salary to the senior officer's salary including \$144,231 accrued for 2013 and \$37,438 accrued for the first quarter of 2014. This amount is unsecured and has no fixed terms of repayment. The interest rate is 7% per annum on unpaid remuneration.

At March 31, 2014, Shareholders' loans of \$551,824 (December 31, 2013 - \$284,862) were payable to various directors and shareholders of the Company. Of the total amount, \$279,800 (December 31, 2013 - \$284,862) was owed to a director for the purchase of equipment and it was evidenced by demand promissory notes at interest rate of 7% per annum and was secured against the equipment purchased. The remaining \$272,024 (December 31, 2013 - Nil) was from directors and shareholders. The loans bear interest of 8% per annum and are repayable on demand after September 19, 2014.

#### ***Share Capital***

As at May 21, 2014, the Company has 257,041,565 common shares outstanding, incentive stock options outstanding to purchase 1,555,000 common shares at prices ranging from C\$0.12 to C\$0.23 per share for terms ending between December 2014 and September 2015, and warrants outstanding to purchase 59,733,333 common shares at prices ranging from C\$0.10 to C\$0.15 per share, expiring between October 2014 and December 2016.

#### ***Accounting Policies***

No new accounting policies were adopted in the first quarter of 2014. The Company is presently assessing the impact of the following accounting standards which have been issued but not applied: Amendment to IAS 32, Financial Instruments: Presentation, Amendment to IAS 36, Impairment of assets on recoverable amount disclosures, IFRS 9, Financial instruments and IFRIC 21, Levies.

***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 is achieved, 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. The ability to obtain financing is, in addition to factors specific to the Company, subject to a number of factors beyond the control of the Company, including fluctuations in gold prices and currency exchange rates and changes in the financial markets. 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 will dilute the holdings of the Company's existing shareholders.

***Fluctuations in Gold Price***

A significant and prolonged decline in the gold price would significantly reduce the economic prospects of the Atlanta Project and could render it uneconomic. A significant and prolonged decline in the gold price could require the Company to reduce its estimates of Mineral Resources, which could have a material adverse effect on the Company's value.

***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, payable in quarterly installments over a five-year period. While AGC expects to fully comply with the terms of the payment arrangement, if AGC is unable to pay the penalty and related interest within the allotted times, the Court may impose additional financial or other sanctions, which could be significant. The U.S. Government may also take steps to enforce its security against the property and equipment provided by AGC as security for payment of the penalty, which could result in the loss of AGC's interest in the secured property and equipment.

***Exploration and Development***

Exploration for gold 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 or that any mineralization discovered will be converted into Mineral Reserves. 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 of the 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. The Company is currently 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.

### ***Infrastructure***

Exploration, development, mining and processing activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

### ***Secured Indebtedness***

The Company's Secured Notes are guaranteed by AGC and secured by a mortgage on AGC's Atlanta Project and the Company's Debenture is guaranteed by AGC and is secured by a mortgage on the Monarch portion of the Atlanta Project. Should the Company fail to comply with its obligations under the Secured Notes or the Debenture, the Noteholders or the holder of the Debenture could seek to enforce their mortgage security, which could result in AGC losing its interest in the Atlanta Project or the Monarch portion of the Atlanta Project. If the holder of the Debenture elects to convert all or a portion of the Debenture into common shares of the Company or if the holders of the Secured Notes or the holder of the Debenture elect to exercise any of the warrants held by such holders, the holdings of the Company's existing shareholders will be diluted.

In connection with the Secured Note and Debenture financings, AGC issued options to acquire gold from AGC. If AGC is unable to obtain sufficient gold from the Atlanta Project prior to the exercise of the gold options, it will be necessary for AGC to purchase gold from other sources to deliver to the option holders or to otherwise satisfy the gold delivery commitment by means of an equivalent cash payment. The amount of such cash payment will be dependent on the price of gold at the time of exercise, and accordingly, the amount cannot be determined at this time but could be significant. Delays in obtaining gold or the failure to obtain sufficient gold from the Atlanta Project could have a material adverse affect on the financial condition, business and operations of AGC and the Company.

### ***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](http://www.sedar.com).

**May 21, 2014**