Management Discussion and Analysis

This discussion and analysis of financial position and results of operations of Atlanta Gold Inc. (the "Company") and its subsidiaries for the three months ended March 31, 2009 has been prepared as of May 7, 2009. The discussion below should be read in conjunction with the unaudited interim consolidated financial statements of the Company and the notes thereto for the three months ended March 31, 2009 and the audited consolidated financial statements of the Company for the year ended December 31, 2008. The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in financial tables, except per share amounts, are expressed in thousands of Canadian or U.S. dollars unless otherwise indicated.

Additional information relating to the Company, including the Company's most recent Annual Information Form, are filed with securities regulatory authorities in Canada and are available on SEDAR at www.sedar.com

Cautionary Statement on Forward Looking Information

This document includes "forward-looking information" and "forward-looking statements", within the meaning of applicable securities legislation. All statements other than statements of historical fact are forward-looking statements. Forward-looking information and statements are 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 and statements are 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 and statements are included in the "Outlook" section of this MD&A as well as elsewhere in this document. Specifically, this document contains forward looking information and statements 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 expected enhancement of the gold resource at Atlanta following completion of additional exploration, the completion of a pre-feasibility study on the Atlanta project, the ability to obtain requisite permits and water rights, the intended use of proceeds from financings completed, the completion, size, timing of and use of proceeds from future financings, the Company's ability to maintain its listing on the Toronto Stock Exchange, the nature and extent of exploration and rehabilitation plans for 2009 and the time needed to commence production at Atlanta.

Forward-looking information and statements involve 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 statements and readers are cautioned not to unduly rely on such forward-looking information and statements and to carefully consider the risks and uncertainties involved with respect to such information and statements. Such risks and uncertainties include, but are not limited to, the Company's limited financial resources and its ability to fund the capital and operating expenses necessary to achieve its business objectives and to continue as a going concern, risks associated with the mining industry (including operational 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 drill results and the geology, continuity, grade and reserve and resource estimates; 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, the risk of resource prices and foreign exchange rate fluctuations and the risk of the Company's common shares being delisted by the Toronto Stock Exchange. Further information on the risks and uncertainties is described herein under "Uncertainties and Risk Factors" and in the Company's 2008 Annual Information Form under "Risk Factors".

Readers are cautioned that the foregoing list of risks, uncertainties and other factors is not exhaustive. The Company undertakes no obligation to update publicly or revise any forward-looking information and statements 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.

Overview

The Company is engaged in the exploration and development of the Atlanta Gold project ("Atlanta"), an advanced-stage gold property near Atlanta, Idaho, U.S.A. The Company has also staked 6,800 acres in Rocky Bar, located 17 miles south west of Atlanta. Both Atlanta and Rocky Bar are historic gold mining areas.

In early 2008, the Company changed the mining strategy for Atlanta from bulk mining and cyanide heap leaching, to a combined shallow open-pit and underground operation with an on-site milling facility with no cyanide circuit. This new mining strategy will produce both a gravity concentrate and a precious metal rich sulphide concentrate to be custom smelted. It will also reduce the environmental footprint by 95% and increase expected metal recovery rates from 63% to 90%. Each of these improvements is critical to the sustainable development of the Atlanta gold mine.

This more selective method of ore extraction positively addresses environmental concerns identified during previous permitting efforts. Management is confident that by working 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 shallow pit and an underground mine at Atlanta in a timely manner.

The Company continues to hold other lower priority exploration properties including the Abitibi gold property in eastern Quebec ("Abitibi"), the Jackson Inlet diamond property on the Brodeur peninsula of Baffin Island ("Brodeur") and Torngat in Northern Québec ("Torngat"). As a result of management's decision to focus on Atlanta, the Company abandoned its mine exploration permit on Torngat while maintaining its rights to 32 mineral claims. The Company has written off the carrying costs associated with all of its Canadian properties.

Plan for Operations - 2009:

During the first quarter of 2009, the Company completed an updated National Instrument 43-101 ("NI43-101") Technical Report and Resource Estimate for Atlanta which confirmed a 48.4% increase in Measured and Indicated Resources since the end of 2007. The Company plans to complete a Pre-Feasibility Study and continue expansion and upgrading of resources in 2009.

The private placement financing completed in February 2009 will primarily fund technical work on Atlanta. Prior to the end of the second quarter of 2009, the Company will need to obtain additional financing. Successful completion of this latter financing will allow the Company at Atlanta to:

a. complete 12,000 feet (3,658 metres) of shallow core drilling to a depth of 400 feet (122 metres) on the East Extension, West Monarch and Idaho zones;

b. complete 33,000 feet (10,058 metres) of core drilling to an intermediate depth of 1,200 feet (400 metres) on the East Extension and Monarch zones;

c. excavate and sample 5,000 feet (1,524 metres) of trenches to further evaluate the near surface potential of the Atlanta Shear Zone. The 2008 trenching program exposed and identified significant gold-bearing mineralization in 22 out of 25 trenches. All samples taken above the Atlanta Shear Zone had anomalous gold;

d. rehabilitate the first 800 feet (244 metres) of the historic 900 Adit;

e. subject to obtaining regulatory approvals, rehabilitate the next 1,475 feet (450 metres) of the 900 Adit and complete a 12,000-foot (3,658-metre) underground drilling program from the 900 Adit;

f. redesign reclamation ponds at the 900 Adit to enhance environmental performance;

g. continue enhancement of Atlanta's environmental performance, including ongoing removal of naturally-occurring arsenic from historic water effluents;

h. continue collaboration with local communities, environmental, regulatory and other stakeholders;

i. evaluate alternative sites to accommodate infrastructure related to the Atlanta project;

j. complete an internal pre-feasibility study of the NI 43-101 Measured and Indicated resource of 475,000 equivalent ounces. This study will be based on combined shallow open pits and underground mining operations producing approximately 300,000 tons of ore per year, and will envision production and sale of smelter-grade gold and silver concentrates to smelters in Nevada. Commencement of production is targeted for the third quarter of 2010;

k. increase the mineral resource inventory, to 600,000 equivalent ounces of gold by December 31, 2009; and

l. secure economic, environmental and technical studies and water rights and permits required to justify the financing needed to advance the project to production.

Like all similar mining projects, Atlanta has its challenges but the combination of a proven record of historical production, a Shear Zone with an 11,400-foot strike length and numerous splays branching off to the north and south of the main Shear, significant depth potential and multi-million ounce potential, presents what management believes to be an outstanding value proposition.

Overview of Financial Results

Equity Financing

The Company raised gross proceeds of $867,600 in the first quarter of 2009 by completing a non-brokered private placement of 8,676,000 common share units (“Units”) at $0.10 per Unit with each Unit consisting of one common share of the Company and one half of one common share purchase warrant. Each full warrant (“Warrant”) is exercisable at $0.25 per share for up to 24 months, with the Company having the right to accelerate the expiry date of the Warrants if the closing price of the Company’s common shares on the Toronto Stock Exchange (“TSX”) exceeds $0.50 for twenty consecutive trading days on which the Company’s shares trade.

Proceeds from the placement will principally be used for permitting and exploration expenditures in respect of the Company’s Atlanta gold project, and for general working capital purposes. In accordance with the rules of the TSX, placements completed in December 2008 and February 2009 were done so in reliance on the financial hardship exemption which permitted the placement to be completed without shareholder approval. As a result of the Company’s reliance on this exemption, the TSX has advised that it will, in the ordinary course, commence a review of the Company’s continued listing on the TSX. The Company has until June 19, 2009 to establish compliance with the TSX’s continuing listing requirements. The Company expects to be able to establish compliance but should it fail to do, the TSX may suspend trading in and ultimately delist the common shares of the Company.

The de-listing review is a routine procedure when using the financial hardship exemption. The Company currently complies with applicable TSX listing requirements and expects to continue to comply with such requirements following completion of additional short to medium term financing, either through debt and / or equity, which will enable it to achieve its objectives for 2009 and remain on track for commencement of production at Atlanta in the third quarter of 2010.

Liquidity and Capital Resources

Cash as at March 31, 2009 was $468,000 compared to $418,000 as at December 31, 2008. The modest increase of $50,000 for the quarter ended March 31, 2009, compared to an increase in cash of $2,652,000 for the comparative quarter ended March 31, 2008, is attributable primarily to equity financing of $867,600 completed during the current quarter, compared to approximately $5 million completed during the same quarter in 2008.

Working capital surplus as at March 31, 2009 was $283,000 compared to a surplus of $30,000 as at December 31, 2008. Cash used in operations for the first quarter of 2009 was $518,000 compared to $1,965,000 for the comparative quarter ended March 31, 2008, reflecting lower payments made to suppliers of services in the prior period. Cash generated from financing activities was $838,000 for the first quarter of 2009 compared to $5,198,000 for the comparative quarter ended March 31, 2008. Cash used for investing activities for the first quarter of 2009 was $269,000 compared to $581,000 for the comparative quarter ended March 31, 2008.

The economic downturn has impacted the Company’s share price and limited its fund raising ability. Although the Company raised approximately $2.5 million in equity financing from December 2008 to February 2009 in very difficult financial markets, it has experienced delays in obtaining additional financings which has caused the Company to operate on a more restrained basis. Due to the global economic uncertainty, the Company reviewed all discretionary expenses and implemented a cash conservation plan, which included a voluntary reduction in management salaries. This plan will require funding of approximately $1 million to maintain Company operations at a reduced level with

a smaller workforce, complete the internal pre-feasibility study, rehabilitate the first 800 feet of the 2,275-foot long historic 900 Adit, continue with environmental improvements and community support initiatives and incur sufficient expenditures to meet minimum contractual commitments at Atlanta to December 31, 2009.

Conversely, to achieve the 2009 program objectives as set out in the "Plan for Operations – 2009" section and stay on track to commence production in the third quarter of 2010, the Company will require funding of approximately $10 million to cover capital and operating expenses to December 31, 2009. If delays occur in raising such funds, the Company will not be able to achieve its 2009 objectives or commence production in Q3 of 2010.

Equity

As at March 31, 2009, the Company had (a) 55,548,876 common shares issued and outstanding (December 31, 2008 – 46,872,876); (b) stock options outstanding to purchase 4,116,668 common shares (December 31, 2008 – 2,016,668) at exercise prices ranging from $0.32 to $4.28 per share and expiring between November 2009 and February 2014; and (c) Warrants to purchase 12,500,000 common shares of the Company at an exercise price of $0.25 per share, expiring between December 2010 and February 2011. In certain instances, the expiry dates of the Warrants may be accelerated by the Company. Shareholders' equity as at March 31, 2009 was $80,725,000 compared to $79,509,000 as at December 31, 2008. Stock options outstanding as at March 31, 2009 had a weighted average exercise price of $0.51 per share (December 31, 2008 - $0.74 per share) and a weighted average life of 53 months (December 31, 2008 – 48 months).

General and Administrative Expenses

Corporate overhead expenses were $642,000 for the quarter ended March 31, 2009 compared to $608,000 for the quarter ended March 31, 2008. The increase in 2009 was mainly due to the increase in stock-based compensation, and was partially offset by a decrease in salaries and management fees and a reduction of travel, investor relations and administrative and office expenses.

A $13,000 loss was realized from foreign exchange transactions during the quarter, compared to a loss of $6,000 incurred during the first quarter in 2008, reflecting the weakening of the Canadian dollar relative to the U.S. dollar. With all of the Company's equity financings in Canadian dollars and expenses primarily in U.S. dollars, the Company is exposed to foreign exchange risk. The Company does not use derivative instruments to reduce its exposure to such risks.

A provision of $64,000 for future income taxes was taken during the first quarter of 2009 compared to no similar provision recorded during the quarter ended March 31, 2008

Capital Expenditures

Atlanta gold property, Idaho, USA:

Expenditures in the first quarter of 2009 of $269,000 were focused on compiling surface drilling and trenching data from the 2008 exploration program, completing a Canadian Securities Administrators NI43-101 compliant Technical Report and Resource Estimate on Atlanta and securing the permits required to proceed with the work on site. In comparison, expenditures in the first quarter of 2008 of $581,000 were focused on assessment of the potential for surface mini-pits, underground program options to assess and develop the underground potential of the Atlanta resource and on explaining our revised approach at Atlanta to shareholders, potential investors and regulatory authorities, and securing the permits necessary to proceed with the work on site.

Rocky Bar gold property, Idaho, USA:

In the second quarter of 2008, the Company filed location notices on 367 contiguous lode unpatented claims at Rocky Bar which cover approximately 6,880 acres (10.75 square miles). These claims are located 17 miles south west of Atlanta, and are regarded as being within Atlanta's field of interest. Located in the heart of the historic Rocky Bar mining district, these strategic claims were acquired by staking to accumulate viable open ground in and around Rocky Bar. By staking these additional claims, the Company has increased its total land holdings in Idaho by 331% to 9,077 acres (14.18 square miles). This property has the potential to host significant gold and silver mineralization, and has excellent logistics and infrastructure, including access to water and county-maintained roads. However, the Company did not undertake any field work on Rocky Bar during the first quarter of 2009 given to its limited cash resources.

Brodeur diamond property, Baffin Island, Canada:

Brodeur consists of 104 mineral claims located on the Brodeur Peninsula of Baffin Island covering approximately 249,133 acres (1,008 square kilometres). The Company has not incurred any exploration expenditures on Brodeur since the beginning of fiscal 2008 (2007 - $58,000), focusing its time and resources on Atlanta. In December 2008, the Company terminated the agreement with Helix Resources Inc. ("Helix"). Consistent with management's previous decision to primarily focus on the Atlanta gold project, management took this action to conserve its limited cash.

Abitibi gold property, Quebec, Canada:

Pursuant to the terms of an agreement entered into with Breakwater Resources and Niogold Mining Corp. ("Niogold") in September 2008, the Company holds an option, exercisable until September 2009, to acquire a 60% interest on a portion of the Abitibi property comprised of the Normar and Mouskor claims. The Company's option will be exercisable at no cost to the Company upon Niogold completing $1.2 million in exploration expenditures on the Malartic portion of the Abitibi property. If the option is exercised, the Company will also acquire a 2% royalty interest in the Malartic claims. The Company wrote off the remaining carrying value of Abitibi in 2007. Between August 2008 and February 2009, the Company paid $6,000 to renew and keep all of its Abitibi claims in good standing until at least September 2009.

The Company also has a 100% interest in an additional 13 mining claims in the Abitibi area.

Torngat diamond property, Quebec, Canada:

Torngat has been on a care and maintenance since 2003 and the remaining book value of $2,692,000 was written off in December 2006. The Company holds 13.423 carats of diamonds which were recovered in 2000 from 12 samples weighing a total of 343.01 tonnes.

Contingencies and Commitments

All amounts in this section are expressed in thousands of Canadian dollars, except in respect of Atlanta, which are expressed in thousands of U.S. dollars).

The Company has made commitments in respect of its head office leases and mineral properties as follows:

	Years 1-2	Years 3-4	Beyond Year 4
Head office	8		-
Atlanta (1)(2)	700	30	30

1. *Pursuant to an amendment to one of the Atlanta lease-purchase option agreements,US$64,500 of a final option payment of US$120,000 which was due in December 2006, will be repaid in two installments to December 2010, and include accrued simple interest of 5% per year.*
2. *Pursuant to an amending agreement dated April 30, 2009 with Monarch Greenback, LLC, the Company has renewed its Mining Lease and Option to purchase a 658.9-acre property located at its Atlanta Gold project in Idaho, U.S.A. for a further two years. Under the terms of the agreement, the Company has the right to acquire a 100% interest in the property subject to a floating rate net smelter return royalty with a maximum rate of 3.5%. The agreement requires optional annual lease payments and optional monthly payments totaling US$580,000 over the next two years to maintain the Option in good standing.*

Contingencies and commitments are described in Note 4(a) to the Company's interim unaudited consolidated financial statements for the three months ended March 31, 2009.

Summary of Quarterly Results

The following table discloses certain financial data for the eight most recently completed quarters, expressed in thousands of Canadian dollars (except per share data - basic and fully diluted

Quarter ended	Total Revenues *(4)*	General and Administrative Expenses	Net Loss *(3)*	Loss per share
March 31, 2009	-	642	707 *(1)(2)*	0.01
December 31, 2008	-	338	(380) *(1)*	(0.02)
September 30, 2008	-	465	499 *(2)*	0.02
June 30, 2008	-	509	547 *(2)*	0.02
March 31, 2008	-	608	769 *(2)*	0.03
December 31, 2007	-	293	9,274 *(1)*	0.56
September 30, 2007	-	327	739 *(2)*	0.04
June 30, 2007	-	261	541 *(2)*	0.03

1. *Includes: (a) mineral property costs written off or expensed as follows: $184 during the first quarter of 2008, $10,952 during the fourth quarter of 2007, $4,895 during the fourth quarter of 2006, and (b) future income tax provisions (recoveries) taken as follows: $65 during the first quarter of 2009; ($1,613) during the fourth quarter of 2008; $48 during the third quarter of 2008; and ($504) during the fourth quarter of 2007.*
2. *Includes stock based compensation expense charged as follows: $325 during first quarter of 2009; $38 during the fourth quarter of 2008; $116 during the third quarter of 2008; $81 during the second quarter of 2008; $217 during first quarter of 2008, $6 during the fourth quarter of 2007.*
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 a development-stage company, it does not generate any revenue.*

The Company presently operates in two countries, Canada and the United States. The Company has an interest in five mineral properties. Three are gold properties and two are diamond properties**.** The Company's activities since early 2008 have focused on Atlanta.

The level of the Company's development activities at Atlanta is impacted by winter weather conditions. These factors result in lower overall levels of activity on the Company's properties during these seasons. However, as Atlanta advances toward the production stage and permanent facilities are constructed, the impact of adverse weather conditions is expected to be reduced.

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 during the first quarter of 2009.

Outlook

Atlanta Gold Property

Over the past five years, gold has been unique as a commodity which has consistently increased in value year over year. In the current period of economic recession, as governments worldwide utilize deficit financing to provide economic stimulus, there is a consensus building that the price of gold will continue to increase. Major gold mining companies are having difficulty maintaining their resource / reserve base. This is expected not only to have a positive upward pressure on gold price, but also on the value of resources not currently in production.

As the Company continues to make progress building its resource base, and the associated environmental and economic framework at Atlanta, it expects that industry interest in this project will continue to develop. The worldwide economic downturn has significantly increased the availability of equipment and skilled personnel. These changes are also expected to reduce future capital and operating expenses.

Management expects that the job creation potential for projects, such as Atlanta, which embrace the highest standards of environmental and social responsibility, will be recognized by the various governmental regulatory agencies.

The Atlanta project is important because it has significant potential for gold deposits that could 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.

The Company is seeking short to medium term financing in the second quarter of 2009, either through debt and / or equity, which will enable it to achieve its objectives for 2009 and remain on track for commencement of production at Atlanta in the third quarter of 2010. If delays occur in raising such funds, the Company will not be able to achieve its 2009 objectives or commence production in Q3 of 2010.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Transactions with Related Parties

The Company does not have any amounts owing to or from related parties as at March 31, 2009, compared to $654,000 owing as at March 31, 2008. The prior period's balance was due to four directors and officers of the Company, including $505,000 in respect of unsecured demand notes bearing interest of 5% per annum (the "Notes") and accrued interest payable to a director which were subsequently satisfied by the issuance of common shares to the director in the second quarter of

2008. During the first quarter, the Company paid a salary of $32,000 to an officer of the Company (2008 - $93,000 was paid three officers of the Company).

Future changes to significant accounting policies

(Please see the Company's 2008 Annual Management Discussion & Analysis ("Annual MD&A") and notes to the Annual Consolidated Financial Statements, which are available at www.sedar.com, for full details and discussion of this section)

In March 2009, the CICA issued an EIC Abstract on Impairment Testing of Mineral Exploration Properties, EIC-174. This Abstract discusses the analysis recommended to be performed to determine if there has been an impairment of mineral exploration properties. The Company considered the recommendations discussed in this Abstract effective for fiscal periods beginning January 1, 2009 when testing for impairment of mineral properties in the period and no impairment adjustments were required.

International Financial Reporting Standards:

In February 2008, the Accounting Standards Board ("AcSB") confirmed that International Financial Reporting Standards ("IFRS") must be adopted by Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. The impact of this transition on the Company's consolidated financial statements has not yet been determined; however, as the first stage of carrying out the Company's planned implementation as outlined in the Annual MD&A, management continues to monitor these developments and the Company's acting Chief Financial Officer is currently enrolled in education courses regarding IFRS business issues and implementation strategies for mining companies.

Critical accounting estimates

Going Concern

These consolidated interim financial statements of the Company for the three months ended March 31, 2009 and 2008 were prepared in accordance with GAAP applicable to a going concern which assume that the Company will realize its assets, discharge its liabilities and meet its future obligations in the normal course of business. Accordingly, these interim consolidated financial statements do not include any adjustments to the recoverability and reclassification of recorded assets, or the amounts or classification of liabilities, that might be necessary should the Company be unable to continue as a going concern.

While these interim consolidated financial statements were prepared on the basis of accounting principles applicable to a going concern, to date, the Company has not earned significant revenues and is not considered to be in operation. Recoverability of exploration and development expenditures is dependent upon the further development of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability to obtain necessary financing, obtain government approval and attain profitable production, or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying amounts of deferred exploration expenditure.

As at March 31, 2009, the Company's current assets exceeded its current liabilities by $283,000. The Company recorded a loss of $707,000 for the three months ended March 31, 2009 and reported an accumulated deficit of $50,692,578 at that date. These circumstances can affect its ability to continue as a going concern and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company continues to explore all available options to secure additional funding, including by means of equity and debt financing, the sale of non-core assets and the formation of strategic partnerships. Nevertheless, it is not possible to determine with any certainty the success or adequacy of these initiatives.

The financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Asset Impairment

In preparing financial statements management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that materially affect the consolidated financial statements and involve a significant level of judgment by management. Management's critical accounting estimates were made in respect of the assessment for the impairment of property, plant and equipment and the valuation of other assets and liabilities such as plant and equipment, investments, restoration and post-closure costs, accounting for income and mining taxes, mineral reserves, contingencies and pension, stock options and warrants, and other post retirement benefits.

Changes to Internal controls over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during the first quarter of 2009 that have affected or which are reasonably likely to materially affect the Company's internal control over financial reporting.

Share Capital

As at May 7, 2009, the Company had 55,548,876 common shares outstanding, incentive stock options outstanding to purchase 4,116,668 common shares at prices ranging from $0.32 to $4.28 per share for terms ending between November 2009 and February 2014. The Company also has warrants outstanding to purchase 12,500,000 common shares at a price of $0.25 per share, exercisable between December 2010 and February 2011.

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. 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 any of the Company's current projects will ultimately be developed into a profitable mining operation. A number of factors beyond the control of the Company may affect the marketability of any diamonds, gold or any other minerals discovered. Resource prices have fluctuated widely and are beyond the Company's control. Revenue and profitability will be determined by the relationship of the Company's production costs and in respect of diamonds, the relative quality of the diamonds extracted and in respect of gold, the recovered grade of gold, to resource prices. The effect of these factors cannot accurately be predicted. The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties with the possible dilution or loss of such interests. The operations of the Company require licenses and permits from various governmental authorities and while the Company currently holds all necessary licenses and permits required to carry on its activities and believes it is complying with such licenses, permits and all applicable laws and regulations, such licenses, permits and laws are subject to change and there can be no assurance that the Company will in future be able to obtain all necessary licenses and permits. Furthermore, the cost of complying with changes in governmental laws and regulations has the potential to reduce the profitability of future operations. The acquisition of title to mineral projects is a very detailed and time-consuming process and although the Company has taken precautions to ensure that legal title and interest to its properties are properly recorded, there can be no assurance that the interests of the Company in any of its properties may not be challenged or impugned. In management's view, there has been no material change in the nature or magnitude of any of the risks faced by the Company during the first quarter of 2009.

May 7, 2009