

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, 2010 has been prepared as of May 19, 2010. 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, 2010 and the audited consolidated financial statements of the Company for the year ended December 31, 2009. 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" (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 expected enhancement of the gold resource at Atlanta following completion of additional exploration; the development of a gold mine and potential gold production levels at Atlanta; the relevance of historical tungsten production at Atlanta; the completion of additional sampling and metallurgical testing of by-products at Atlanta and the potential of such by-products to reduce the net costs of mining and processing of the gold resource; the completion of advanced scoping and pre-feasibility studies on the Atlanta project, the timing and parameters thereof, including in respect of production levels and life-of-mine estimates; the extent, nature, targets and objectives of the Company's 2010 exploration program; the completion, size, timing of and use of proceeds from future financings and the adequacy thereof to complete the Company's objectives for 2010; the continuance and enhancement of environmental initiatives; the continuance of developmental initiatives including securing requisite permits; the impact on the Company of the asset acquisition from and the agreements in principle with Newmont USA Limited, the subsequent completion of the transactions contemplated thereby and the relocation of the acquired assets to the Atlanta project; the effect of the acquisition of a net smelter return royalty on the economics of the Atlanta project; and the time needed prior to commencement of mining and production at Atlanta.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual events and the Company's actual results to differ materially from those predicted, expressed or implied by the forward-looking information and readers are cautioned not to

unduly rely on such forward-looking information and to carefully consider the risks and uncertainties involved with respect to such forward-looking information. Such risks and uncertainties include, but are not limited to, the Company's limited financial resources and its ability to raise sufficient funds on a timely basis to fund the capital and operating expenses necessary to 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 the geology, continuity, grade and size estimates of the mineral 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, and the risk of fluctuations in gold prices and foreign exchange rates. Further information on the risks and uncertainties is described herein under "Uncertainties and Risk Factors" and in the Company's 2009 Annual Information Form under "Risk Factors".

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

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

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.

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 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 shallow open pit mine 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 the Torngat diamond property located in Northern Québec (“Torngat”). Details and a discussion of the Abitibi and Brodeur properties are included in the “*Capital Expenditures*” section below.

Plan for Operations - 2010:

During the first quarter of 2010, the Company engaged P&E Mining Consultants Inc. (“P&E”) of Brampton, Ontario to complete an independent National Instrument 43-101 Technical Report and Pre-Feasibility Study (the “Study”) for the Atlanta Gold Project.

The Study is based on a pilot-scale mining operation which assumes that the Company will mine only the Measured and Indicated resource identified in the NI 43-101 Technical Report. The Company plans to continue expanding and upgrading this resource in 2010. The Study will be based on a combined shallow open pit (2 shallow open pits) and underground mining operation expected to produce approximately 272,000 tons of ore per year, and envisions production and sale of smelter-grade gold and silver concentrate to a smelter in Nevada. In conjunction with the Study, the Company is developing a business plan which contemplates initial annual production estimated to be 40,000 ounces (1,244,000 grams) of gold through the use of an 800-1,200 ton per day dual circuit mining and gravity-flotation milling operation. The Study is designed to review and confirm the existing mineral resource estimate, determine preliminary designs, estimate capital and operating costs for a shallow open pit and underground mine with different ore and waste production rates. The Study will include a financial analysis based on reasonable assumptions about each of the foregoing factors and other technical and economic factors. This Study will be the first one to apply current economics to a combined shallow open pit and underground mine operation at Atlanta.

To facilitate the transition to a Pre-Feasibility Study, P&E will also complete an independent Advanced Scoping Study in 2010 for a combined open pit and underground operation at Atlanta. This Scoping Study will include preliminary mine and plant design, capital and operating cost estimates, metallurgy, environmental studies and permitting in detail. P&E will also provide a detailed analysis of historic exploration data including a comprehensive 3-Dimensional model of the Atlanta Shear Zone which has a surface expression that is 11,400-foot (3,475-metre) long, 30-120-foot (9-37-metre) wide and extends from surface to a known vertical depth of 1,850 feet (564 metres) with numerous splays branching off to the northwest and southeast of the main Shear.

Based on a nominal production rate of 800 tons of ore per day or 272,000 tons of ore per year, average annual production over the 12-year mine life is forecast to be 40,000 ounces of gold contained in 11,000 tons of concentrate. Subject to timely receipt of adequate funding, and requisite permits, the Company plans to begin mining at Atlanta and produce concentrates in late 2011 or early 2012. If the Company experiences delays in obtaining sufficient funding or the requisite permits, the Company’s timeline for commencement of mining operations and production may be adversely affected.

The Company plans to undertake in 2010 a major exploration program at Atlanta. Positive results from exploration programs to date demonstrate the presence of a significant gold mineralized system which remains open in all directions. An aggressive follow-up exploration program is warranted. The Company intends to finance the \$6.5 million exploration program from cash on hand and with the proceeds from future equity financings. The timing and the extent of drilling, exploration and other activities for 2010 are also dependent upon availability of additional funding.

The Company's exploration objective is to increase the gold mineral resource inventory at Atlanta by 125,000 ounces (3,887,500 grams) from the current 475,000 to approximately 600,000 equivalent ounces (14,772,500 to 18,660,000 grams) of gold by the end of 2010 by:

- a. increasing the size of the near-surface, shallow open-pit resource which can be mined at a relatively low cost;
- b. completing infill drilling to upgrade the resource status of the sparsely-drilled higher-grade (0.35+ ounce-per-ton) (10.9+ gram per ton) zones found between the Monarch and Idaho areas in the west and the East Extension area in the east at the 900-1,200 foot horizon; and
- c. increasing the confidence in the continuity between these higher-grade zones.

To complete all of its planned expenditures for the year ending December 31, 2010, the Company estimates that its total funding requirement will be approximately \$11.0 million. Subject to completion of additional intermediate-term funding of \$5.5 million, the following planned exploration program will include 37,000 to 55,000 feet (11,000 to 17,000 metres) of diamond drilling that will commence in early May 2010 with the mobilization of two drills working six days per week on 10- to 12-hour rotating shifts:

- complete 15,000 to 33,000 feet (4,500 to 10,000 metres) of core drilling to an intermediate depth of 1,200 feet (400 metres) on the East Extension and Monarch areas to seek extensions to the higher grade drill intercepts in the Newmont and Glaspey zones. The 2,000-foot (600-metre) distance between these highly prospective zones is underexplored as previous programs focused on shallower, potentially open-pitatable mineralization;
- complete 10,000 feet (3,000 metres) of shallow infill core drilling to a depth of 400 feet (122 metres) on the East Extension, West Monarch and Idaho zones to confirm the surface findings and delineate continuity and grade of the gold-silver mineralization;
- continue rehabilitation of the first 800 feet (244 metres) of the historic 900 Adit and, if warranted, rehabilitate the next 1,475 feet (450 metres) of the 900 Adit;
- survey, sample and assay 1,400 feet (427 metres) of trenches, log, sample and assay six drill holes, and sample and assay approximately 1,000 soil samples to further evaluate the near surface potential of the Atlanta Shear Zone. The 2008 and 2009 trenching programs exposed and identified significant gold-bearing mineralization in 95% of the returned samples; and
- continue to evaluate the economic potential of mining and processing by-products from the Atlanta Shear Zone.

The Company has secured the environmental permits needed to complete the above drilling programs.

In 2011, the Company plans to complete a 12,000-foot (3,658-metre) underground drilling program from the rehabilitated 900 level drift to expand the Glaspey zone (below the East Extension) in at least two directions;

Environmental and development-related initiatives for 2010 include:

- redesign, excavate and expand the capacity of the reclamation ponds at the 900 Adit to enhance environmental performance;
- continue enhancement of Atlanta's environmental performance, including ongoing removal of naturally-occurring arsenic from historic water effluents;
- continue collaboration with local communities, environmental, regulatory and other stakeholders;
- secure economic, environmental and technical studies and water rights and permits required to advance the project to production;
- evaluate alternative sites to accommodate infrastructure related to the Atlanta project; and
- dismantle and relocate the property, plant and equipment purchased from Newmont to Idaho.

The Company continues to pursue several alternative sources of funding which may include equity and/or debt components. Assuming that short and intermediate term financing aggregating \$11.0 million is obtained in a timely manner, the Company expects to increase the mineral resource inventory at Atlanta to 600,000 equivalent ounces of gold by December 31, 2010, and subject to receipt of requisite permits, to remain on schedule to commence mining at Atlanta, and to produce concentrates in late 2011 or early 2012.

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 (3,475-metre) strike length, a 30-120-foot (9-37-metre) width, a known vertical depth of 1,850 feet and numerous splays branching off to the northwest and southeast of the main Shear, significant depth and multi-million ounce potential, presents what management believes to be an outstanding value proposition.

AGREEMENTS WITH NEWMONT USA LIMITED

In December 2009, the Company's wholly-owned subsidiary, Atlanta Gold Corporation ("Atlanta Gold"), entered into a definitive agreement with Newmont USA Limited ("Newmont"), a wholly owned subsidiary of Newmont Mining Corporation, to purchase certain fixed assets, including a building, four 2,200-horsepower diesel-powered generators, two water treatment plants and other equipment. The transaction was completed on February 1, 2010 and the Company issued 4,535,600 common shares in satisfaction of the US\$1 million purchase price. The acquired assets were located at three Newmont sites in Nevada. In May 2010, Atlanta Gold completed the dismantling and shipment of equipment from one of the Newmont sites to Idaho and commenced dismantling buildings and equipment at the second Newmont site. All of the acquired assets must be removed from Newmont's sites by October 31, 2010.

The Company continues to improve the health of the Boise River by voluntarily treating 2 to 2.5 million gallons (7.6-9.5 million litres) of water per month to remove naturally-occurring arsenic before allowing the water to discharge into Montezuma Creek which in turn flows into the Middle Fork of the Boise River. The water treatment plants purchased from Newmont will provide an ideal

expansion and extension of environmental initiatives implemented by the Company. One of the water treatment plants has the capacity to treat 10,000 gallons (37,850 litres) per minute and further reduce arsenic levels.

The electrical generators purchased from Newmont are expected to provide sufficient electricity to operate the Atlanta gold mine.

In the second quarter of 2009, Newmont also agreed in principle to sell up to an additional US\$500,000 in plant and equipment to be agreed upon. Newmont also agreed in principle to purchase and process the gold-silver concentrate to be produced from Atlanta on terms to be negotiated. At the pilot-scale Atlanta mill, ore containing gold and silver will be crushed to a coarse size and then transported from the mine to an on-site concentrator, where it will be finely ground and then treated by successive stages of flotation, resulting in a filter concentrate expected to contain approximately 2 to 3 ounces of gold per ton of concentrate. Gold recovery is expected to be 90%, using conventional milling, gravity separation and flotation techniques to produce the concentrate. The gold-silver concentrate will be delivered for final treatment to Newmont's concentrate autoclave plant in Nevada which is within a one-day return trucking distance from Atlanta, Idaho.

The Company believes that completion of these transactions with Newmont represents a very important milestone for the Company as they will secure a market for the Company's concentrate, provide necessary infrastructure on favourable terms to advance development of Atlanta Gold, allow the Company to conserve cash, significantly reduce the Company's future capital costs and support the Company's on-going financing efforts.

Overview of Financial Results

Equity Financing

The Company did not complete any financing during the first quarter of 2010, although it raised gross proceeds of approximately \$2,387,000 in April 2010 by completing a non-brokered private placement of 14,916,100 common share units ("Units") at \$0.16 per Unit. Each Unit consisted of one common share of the Company and one common share purchase warrant, 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 TSX Venture Exchange ("TSXV") exceeds \$0.50 for twenty consecutive trading days. In comparison, 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 at \$0.10 per unit.

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.

Liquidity and Capital Resources

Cash as at March 31, 2010 was \$798,000 compared to \$1,407,000 as at December 31, 2009. The decrease of \$609,000 for the quarter ended March 31, 2010, compared to a \$50,000 increase in cash for the comparative quarter ended March 31, 2009, is reflective of the Company having completed an equity financing of \$867,700 in the first quarter of 2009, while no financings were completed in the first quarter of 2010.

Working capital surplus as at March 31, 2010 was \$733,000 compared to a surplus of \$1,400,000 as at December 31, 2009. Cash used in operations for the first quarter of 2010 was \$183,000 compared

to \$518,000 for the comparative quarter ended March 31, 2009, reflecting lower current payables due to suppliers and contractors in the current quarter. Cash used for investing activities for the first quarter of 2010 was \$406,000 compared to \$269,000 for the comparative quarter ended March 31, 2009.

Equity

As at March 31, 2010, the Company had (a) 94,584,474 common shares issued and outstanding (December 31, 2009 – 90,048,874); (b) stock options outstanding to purchase 5,233,334 common shares (December 31, 2009 – 4,153,334) at exercise prices ranging from \$0.18 to \$2.85 per share and expiring between June 2010 and March 2015; and (c) Warrants to purchase 13,483,360 common shares of the Company at exercise prices between \$0.13 and \$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, 2010 was \$86,278,000 compared to \$85,228,000 as at December 31, 2009. Stock options outstanding as at March 31, 2010 had a weighted average exercise price of \$0.42 per share (December 31, 2009 - \$0.49 per share) and a weighted average life of 46 months (December 31, 2009 – 45 months).

In connection with the financing completed in April 2010 (details are provided in the “*Liquidity and Capital Resources*” section above), the Company paid a cash finders' fees totaling \$150,798 and issued 942,488 compensation options to registrants. Each compensation option entitles the holder to purchase one common share of the Company at a price of \$0.25 per share for one year.

On April 21, 2010 the Company granted options to purchase a total of 200,000 shares at an exercise price of \$0.23 per share to employees of the Company's subsidiary.

General and Administrative Expenses

Corporate overhead expenses were \$308,000 for the quarter ended March 31, 2010 compared to \$642,000 for the quarter ended March 31, 2009. The decrease in 2010 was mainly due to the decrease in stock-based compensation as fewer stock options were granted in the first quarter in 2010 as compared to the same quarter in 2009, and the decrease in salaries as the Company had previously reduced the number of head office employees. In addition, lower professional fees were incurred during the first quarter of 2010, compared to the same period in 2009.

The losses incurred from foreign exchange transactions were comparable during the first quarters of 2010 and 2009. The Company's equity financings are completed in Canadian dollars while its expenses are incurred primarily in U.S. dollars, and accordingly, the Company is exposed to foreign exchange risk. The Company does not use derivative instruments to reduce its exposure to such risks.

Capital Expenditures

Atlanta gold property, Idaho, USA:

Expenditures in the first quarter of 2010 of \$391,000 were primarily in respect of preparing the Study on Atlanta, which involves reviewing and confirming the existing mineral resource estimate, determining preliminary designs, and estimating capital and operating costs for a shallow open pit and underground mine with different ore and waste production rates. In comparison, 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 National Instrument 43-101 compliant Technical Report and Resource Estimate on Atlanta and securing the permits required to proceed with the work on site.

Brodeur diamond property, Baffin Island, Canada:

Brodeur consists of 52 mineral claims located on the Brodeur Peninsula of Baffin Island covering approximately 126,900 acres (513.5 square kilometres). Consistent with management's previous decision to primarily focus the Company's financial resources on the development of Atlanta, the Company has not incurred any exploration expenditures on Brodeur since 2007 but has maintained claims over certain prospective kimberlite drill targets and known diamondiferous kimberlite. The Company continues to hold a total of 51.1 carats of diamonds which were recovered at Brodeur in 2001 and 2002 from 12 samples weighing a total of 248.4 tonnes.

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 2010, 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.

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	17	5	-
Atlanta (1)(2)(3)	480	20	20

1. Pursuant to an amendment to one of the Atlanta lease-purchase option agreements, US\$29,500 of a final option payment will be repaid in December 2010, plus accrued simple interest of 5% per year.
2. Pursuant to an amending agreement dated April 30, 2009 with Monarch Greenback, LLC, the Company renewed its Mining Lease and Option to purchase a 658.9-acre property adjacent to the Atlanta project for a further two years until April 30, 2011. 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 and optional monthly payments totaling US\$580,000 over a two-year period to maintain the Option in good standing. The Company paid US\$210,000 in 2009, and US\$150,000 in 2010 (including US\$60,000 during the first quarter of 2010) and the remaining US\$220,000 balance is payable in monthly installments to April 2011.
3. Pursuant to an agreement signed on September 23, 2009 with Canadian American Mining Company, the Company purchased a 1% net smelter return (NSR) royalty in exchange for 5.75 million common shares of the Company plus a payment of US\$200,000. US\$100,000 was paid in 2009 and US\$30,000 was paid in the first quarter of 2010. The remaining US\$100,000 balance is payable in monthly installments to January 2011.

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, 2010	-	308	306 (1)(2)	0.00
December 31, 2009	-	310	(101)(1)(2)	(0.01)
September 30, 2009	-	331	478(1)(2)	0.01
June 30, 2009	-	388	376 (1)(2)	0.01
March 31, 2009	-	642	707 (1)(2)	0.01
December 31, 2008	-	338	(380) (1)(2)	(0.02)
September 30, 2008	-	465	499 (1)(2)	0.02
June 30, 2008	-	509	547 (2)	0.02

1. Includes: (a) mineral property costs written off or expensed as follows: \$3 during the first quarter of 2010; \$14 during the fourth quarter of 2009, \$133 during the third quarter of 2009, \$3 during the second quarter of 2009, and \$2 during the first quarter of 2009; and (b) future income tax provisions (recoveries) taken as follows: (\$422) during the fourth quarter of 2009, \$65 during the first quarter of 2009; (\$688) during the fourth quarter of 2008; and \$48 during the third quarter of 2008.
2. Includes stock based compensation expense charged as follows: \$67 during the first quarter of 2010, \$38 during the fourth quarter of 2009, \$49 during the third quarter of 2009, \$80 during the second quarter of 2009; \$325 during first quarter of 2009; \$38 during the fourth quarter of 2008; \$116 during the third quarter of 2008; and \$81 during the second quarter of 2008.
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 as the Company expects to conduct exploration, development, mining and milling activities on a year-round basis.

The Company assesses, on a regular basis, whether any impairment has occurred in the carrying value of its mineral properties. If such impairment has occurred, a write-down is charged in the period that the impairment took place. In 2007, the Company wrote off the carrying value of its projects other than Atlanta. The Company has determined that no charges had to be taken against Atlanta during the first quarter of 2010.

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 the gold price, but also on the value of existing measured and indicated 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. Support for this view may be found in the completion of the asset acquisition from and additional agreements in principle with Newmont USA. The worldwide economic downturn has significantly increased the availability of new and used equipment and skilled personnel. These changes are also expected to reduce future capital and operating expenses at Atlanta.

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 a measured and indicated resource and significant potential for additional gold deposits that will 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.

Between November 2009 and April 2010, the Company completed equity financings for gross proceeds of \$5,850,000. Proceeds from these financings are being used to provide short-term funding for permitting, exploration and development expenditures at Atlanta, and for general working capital purposes. Additional financing will be required to be completed in the second quarter of 2010. Successful completion of such financing is expected to allow the Company to remain on track to commence mining at Atlanta in late 2011 or early 2012. Management is confident that these financings will be completed. However, if delays occur in raising such funds, achievement of the Company's objectives for 2010 and 2011 may also be delayed.

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, 2010, and 2009. Two officers of the Company participated in the financing completed by the Company in April 2010, purchasing a total of 825,000 units for an aggregate subscription price of \$132,000.

International Financial Reporting Standards

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. On February 13, 2008, the AcSB and the CICA confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011 with appropriate comparative data from the preceding year. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years commencing on or after January 1, 2011.

Consequently, the Company will continue to present its results for the 2010 interim periods and for the year ended December 31, 2010 using Canadian GAAP. In 2011, the Company will be required to

restate for comparative purposes amounts reported for 2010 using Canadian GAAP to reflect contemporary IFRS. To accomplish this, commencing in fiscal 2010, the Company intends to maintain accounting records in accordance with both Canadian GAAP and IFRS in order to have comparative financial statements on full implementation of IFRS in 2011.

The Company initiated its IFRS transition project in 2008. The project consists of three principal phases: preliminary study and diagnostic, detailed component evaluation, and embedding. The plan addresses the impact of the IFRS transition on accounting policies, implementation decisions, infrastructure, and control activities.

IFRS 1 – “First-time Adoption of International Financial Reporting Standards” sets out the guidelines for the initial adoption of IFRS. Under IFRS, the standards are applied retroactively at the transitional balance sheet date with all adjustment to assets and liabilities taken to accumulated deficit, unless certain exemptions are applied. The Company is currently assessing these exemptions to full restatement that are permitted under IFRS.

The areas of IFRS that may have the most potential impact to the Company are those that deal with property, plant and equipment, foreign exchange translation, asset impairment, borrowing costs and asset retirement obligation. The International Accounting Standards Board continues to make revisions to or replace existing IFRS standards that address certain of these areas. Some of the anticipated changes may have come into effect prior to the Company’s transition date, such that IFRS may differ at the transition date from its current form. However, it is likely that the majority of the changes may occur subsequent to the Company’s date of transition.

At March 31, 2010, the Company is still in the second phase of the IFRS transition project which is the detailed component evaluation phase. In this phase, further evaluation of the financial statement areas impacted by IFRS will be completed involving a more detailed, systematic gap analysis of the accounting and disclosure differences between Canadian GAAP and IFRS. This detailed assessment will facilitate decisions around accounting policies and overall conversion strategy. The Company has and will continue to invest in training and resources throughout the transition period. At this stage, management has not completed quantifying the impact of these differences on the Company’s consolidated financial statements. Specifically:

1. Working papers on the impact on property, plant and equipment, foreign exchange translation, asset impairment, borrowing costs, asset retirement obligation, non-financial liabilities, revenue recognition, tax, leasing and consolidation are being finalized.
2. Work has continued on refining existing financial reporting systems to enable reporting in both Canadian GAAP and IFRS. The system is planned for completion in the third quarter of 2010.
3. IFRS 1, “First-Time Adoption of International Financial Reporting Standards”, provides companies adopting IFRS for the first time with a number of optional exemptions and certain mandatory exceptions to facilitate the preparation of their opening balance sheet. A determination of which of the optional exemptions that will be relied upon has yet to be made by management but is expected to be completed by the third quarter of 2010.

The Company has not yet determined the full accounting impact of adopting IFRS.

The Company's first financial statements completed under IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing extensive transitional information and full disclosure of all new IFRS policies.

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 2010 that have affected or which are reasonably likely to materially affect the Company's internal control over financial reporting.

Share Capital

As at May 19, 2010, the Company had 109,518,734 common shares outstanding, incentive stock options outstanding to purchase 5,433,334 common shares at prices ranging from \$0.18 to \$2.85 per share and expiring between June 2010 and April 2015. The Company also has warrants outstanding to purchase 29,323,788 common shares at prices between \$0.13 and \$0.25 per share, exercisable between December 2010 and April 2012.

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 2010.

May 19, 2010