

**Atlanta Gold Inc.**

**Management Discussion and Analysis**

**For the years ended December 31, 2017 and 2016**

**Management Discussion and Analysis**

*This management discussion and analysis of the financial position and results of operations of Atlanta Gold Inc. (the “Company”) and its subsidiaries for the years ended December 31, 2017 and 2016 has been prepared as of April 30, 2018.*

*The discussion below should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the years ended December 31, 2017 and 2016. 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”).*

*The functional currency of the Company is Canadian dollars and the functional currency of the subsidiaries is U.S. dollars. The financial statements of entities that have a functional currency different from the presentation currency are translated into U.S. dollars. All amounts in the Management Discussion and Analysis 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.*

Further information about the Company and its operations is available on the Company's website at [www.atgoldinc.com](http://www.atgoldinc.com) or 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 realization of economic and environmental benefits from the use of open pit and underground mining methods; the commencement of processing of the bulk samples from the Neal Property and the timing thereof; the completion of infill drilling, a bulk sample and other exploration and development initiatives at the Atlanta Project, including completion of pre-feasibility and additional baseline environmental studies and applications for operating permits, the timing thereof and the timing to obtain such operating; the completion of future financings by the Company and by Neal Development, LP and the timing thereof; the successful completion of negotiations with the Company’s lenders to, among other things, extend the repayment terms of the Company’s debentures and senior secured notes; and the continuance and enhancement of environmental initiatives, including the implementation of the Supplemental Plan of Operations, the installation of a water control plug and other water flow control mechanisms and the effectiveness of same on the water treatment system at the Atlanta

Project. 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 fund its debt repayment and other obligations, to fund payment by AGC of the environmental penalties, to fully implement the Supplemental Plan of Operations, to achieve its business objectives and to continue as a going concern; risks associated with the orders imposed by the Court in the environmental litigation against AGC; 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 in amounts sufficient to meet the Company's requirements, the ability to control the flow of water to be treated by AGC near the Atlanta Project, 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 used by the Company 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. The Company 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 OTC Pink (OTC Pink: ATLDF). As of April 30, 2018, the Company has 76,147,083 common shares issued and outstanding and stock options outstanding to purchase 4,750,000 common shares at prices of C\$0.065 per share, expiring between May and July 2022.

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 located near Atlanta, Idaho, USA, through the Company’s wholly-owned subsidiary, Atlanta Gold Corporation (“**AGC**”). AGC also controls the mining rights to the Neal Mining Project through its subsidiary, Mineral Point, LLC which is the general partner of Neal Development LP (the “**Partnership**”), which in July 2015 commenced exploration and development. The Neal open pit gold mine operation is located 15 miles southeast of Boise, Idaho, in Elmore County and 45 miles southwest of the Atlanta Project within the same Trans-Atlanta-Challis fault alignment.

In 2008, the Company changed its approach at the Atlanta Project, electing to proceed on the basis of a combined open pit and bulk tonnage underground mining strategy. The Company also determined that it would process the ore on site, making both a gravity gold concentrate and a precious metal rich sulphide floatation concentrate, thereby minimizing the environmental impact of mining, and significantly improving recoveries. 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 minimize environmental impacts and help streamline permitting, 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. This more selective method of ore extraction positively addresses environmental concerns identified during previous permitting efforts.

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 for the Atlanta Project*”. Additional detail is available on SEDAR and the Company’s website.

The Company expects that significant economic and environmental benefits will be realized from using both open pit and underground mining methods and a metallurgical processing method compatible with the environment and optimizing the gold ore recovery method design for an onsite recovery plant which will allow the Company to advance the Atlanta Project.

The Partnership was formed with Mineral Point, LLC as the general partner, to conduct exploration activities at the Neal Property. AGC has entered into a five-year lease of the Neal Property expiring in 2020 and has staked an additional seven contiguous claims on public land that were open to mineral entry. The Neal Property is at a much lower elevation than the Atlanta Project and generally allows year round access to mineralized material. Offsite processing of the gold bearing materials is contemplated and it is envisioned that a custom mill in Nevada would process the ores. Operations at the Neal Property, which is on private land and required Idaho State Lands approval to commence operations, was obtained by providing a Notice of Motorized Exploration ("**NOME**") within seven days following commencement of exploration operations. The Partnership commenced exploration in mid-July and the NOME was submitted on July 22, 2015. During 2015, an estimated 8,000 ton bulk sample was completed and 562 samples in 8 batches were tested and analyzed by two independent laboratories, resulting in a weighted average gold grade of 0.149 ounces per ton (5.12 grams per tonne). (Please also see the Company's news release of December 9, 2015). William L. Josey, an independent geologist and a Registered Member of SME, is the Company's "qualified person" as defined by National Instrument 43-101 and has reviewed and approved the foregoing. During 2016, an additional 4,900 tons were added to the stock pile. The average grade for the additional tons delivered to the stock pile was 0.132 ounces per ton (4.53 grams per tonne) based on the average of 298 samples taken from 546 loads of material. Samples were taken by AGC's employees under the supervision of Eric Berentsen and were assayed by Inspectorate Labs, Sparks, Nevada. Eric Berentsen, a Registered Member of SME, the Company's qualified person as defined by National Instrument 43-101, has approved the foregoing disclosure of test results.

#### ***NI 43-101 Resource Estimate for the Atlanta Project***

In January 2012, P&E Mining Consultants Inc. ("**P&E**") of Brampton, Ontario completed an independent updated resource estimate on the Company's Atlanta Project 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 (opt)	Grade		Ounces of Gold (000's)	Grade		Ounces of Silver (000's)	Ounces of Silver as Gold Equivalent (000's)	
			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.
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.

Over the last four years the Company has completed several outside lab studies for metallurgical gold ore recovery testing for the Atlanta Project. The various tests incorporated such methods as crushing and grinding and bulk ore flotation as well as gravity and centrifugal separation and recovery. Additional bulk sampling of the primary mineralized zone and metallurgical testing will be needed to make a final decision as to what type of mill and processing facility will be most optimal for the Atlanta gold bearing material. The near surface gold resource is exposed for more than 2000 feet along strike and 30 - 80 feet wide and contains gold bearing material covering a large area. The bulk sample could be taken from near surface for the additional metallurgical

studies. Work on a bulk sample is expected to commence in the latter-half of 2018 or in 2019, as soon as funding is available.

### ***Other properties***

#### ***Neal Property, Idaho, USA***

AGC holds a five year lease on the Neal Property, expiring in 2020, and has staked an additional seven contiguous claims on public land that are open to mineral entry. The Neal Property is contiguous to Forest Service Road 189, 15 miles southeast of Boise, Idaho, in Elmore County and 45 miles southwest of the Atlanta Project within the same Trans-Atlanta-Challis fault alignment. The Neal Property is hosted within the same granodiorite structure of the Idaho Batholith as the Atlanta Project. The Neal Property is at a much lower elevation than the Atlanta Project and will generally allow year round access to mineralized material.

In order to fund exploration on the Neal Property, AGC formed the Partnership in February 2015 and in June 2015, the Partnership completed an initial financing for proceeds of \$1,100,000. The Partnership commenced exploration activity on the Neal Property in mid-July, 2015.

The Neal Property is at a much lower elevation than the Atlanta Project and generally allows year-round access to mineralized material. Onsite open pit mining will be managed by AGC personnel and excavation of gold bearing material will utilize local earthmoving contractors. Offsite processing of the gold bearing materials is contemplated to be conducted by a custom milling plant. Opportunities for custom milling of the gold bearing materials are currently being explored at various operations in the Nevada area, which have excess capacity so as to be able to undertake custom milling of the gold bearing materials.

Exploration trenching at the Neal Property completed during 2015 provided an estimated bulk sample of 8,000 tons. Five hundred and sixty-two (562) samples in 8 batches were tested and analyzed by two independent laboratories, resulting in a weighted average gold grade of 0.149 ounces per ton (5.12 grams per tonne). (Please also see the Company's news release of December 9, 2015). William L. Josey, an independent geologist and a Registered Member of SME, is the Company's "qualified person" as defined by National Instrument 43-101 and has reviewed and approved the foregoing. The sample area of three acres has been cross trenched followed by condemnation drilling to forty feet. The surface area has been contoured, covered with top soil and topped with approved seeding. The concurrent reclamation will reduce the total area of disturbance.

During the summer of 2016, an additional 4,900 tons were added to the stock pile. The average grade for the additional tons delivered to the stock pile was 0.132 ounces per ton (4.53 grams per tonne). An additional estimated 6,000 tons has been exposed and prepared to be excavated and delivered to the stock pile, subject to funding.

In April 2017, the Idaho Department of Lands approved the reclamation plan submitted in respect of proposed operations at the Neal Property and has granted a mine permit. The reclamation and operating permit is subject to certain conditions agreed upon with the Idaho Department of Lands and becomes active upon agreeing to the conditions and establishment of a reclamation bond.

Processing of the estimated 12,900 ton bulk sample is expected to commence in the late second quarter of 2018, subject to funding.

Additional funds will be required for the Partnership to carry out its work program at the Neal Property. While the Partnership had anticipated raising up to an additional \$1,400,000 through the sale of additional Partnership units during the third quarter of 2016, it was unsuccessful, as its efforts were hindered by the delays in obtaining the mine permit. The Partnership is continuing to work towards completing an additional financing, which it currently anticipates will be completed during the second or third quarter of 2018. Continued delays in obtaining additional funding will result in the Partnership delaying or postponing its programs on the Neal Property and could result in the approvals for the reclamation plan being revoked. AGC provides certain general, administrative and other services to the Partnership and if the Partnership continues to be delayed in obtaining or is ultimately unable to obtain additional financing, this will impact adversely on the working capital of AGC.

### ***Jackson Inlet, Nunavut, Canada***

As the Company's principal focus continues to be on developing the Atlanta Project and Neal Property, 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 reclamation and restoration obligations at Brodeur in August 2013 and again in March and April 2014. Adverse weather conditions suspended completion of the final restoration. The Company applied in late March 2018 for a one year extension for material storage with the Nunavut, Territorial Land Use Department and was issued a one-year extended permit until April 2019. The Company will resume the reclamation and restoration when sufficient funding is available.

### ***Recent Achievements:***

Significant achievements in 2017 were as follows:

- Receipt of the reclamation and operating permit for the Neal Property in April 2017;
- Issuance of 26,390,000 common shares to Jipangu Inc. ("**Jipangu**") for aggregate consideration of C\$2,375,100 (see news release of June 1, 2017). Under the terms of the financing, the Company repaid C\$1,033,745 of indebtedness owed to Jipangu by the issuance of 11,486,052 common shares of the Company valued at C\$0.09 per share and Jipangu purchased 14,903,948 common shares for \$1,341,355, being a price of C\$0.09 per share; and
- The Company settled C\$770,799 of accrued and unpaid interest by issuing 10,010,374 common shares to the holders of its convertible debentures (the "**Debentures**") and senior secured notes (the "**Notes**") on the basis of one share for each C\$0.077 of interest (see news release of June 2, 2017). The terms of the Notes were amended such that the maturity date was extended by one year to August 31, 2019 and the installment repayment dates (at the rate of 25%, 35% and 40%) were amended to August 31, 2017, 2018 and 2019, respectively. The Company's outstanding options to purchase 6,374.5 ounces of gold at \$1,100 per ounce, previously issued with the Notes, had their term extended by one year to August 31, 2019 and will vest at the rate of 25%, 35% and 40% on August 31, of 2017, 2018 and 2019, respectively.

The Company has not paid the principal instalment payment on the Notes due on August 31, 2017. The Company remains subject to significant financing and litigation risks, as more fully described herein.

## **OWNERSHIP OF ATLANTA PROJECT**

Atlanta was initially held as a joint venture between AGC with an 80% interest and Canadian American Mining Company, LLC (“**CAMC**”) with a 20% participating interest. CAMC transferred its 20% participating interest in the joint venture to AGC, and currently holds a 1% NSR royalty on Atlanta.

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 totaling approximately 430 acres (the “**Monarch Property**”) from Monarch Greenback LLC (“**Monarch**”) for \$3,075,000, with the purchase completed in June 2011. 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 December 31, 2017, 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 which expires on April 30, 2021. Lease payments are currently \$10,000 per year and are treated as minimum annual advance royalties. If these claims go into commercial production before expiry of the lease, then the annual minimum advance royalty will be \$20,000. If this property is mined, F.C. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at December 31, 2017, advance royalty payments of \$238,500 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 parties have reached agreement to extend the lease to November 2018. AGC expects to pay the \$10,000 lease payment in the second or third quarter of 2018, following completion of additional financing. 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 December 31, 2017, advance royalty payments of \$342,500 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 royalty payments payable on production. As at December 31, 2017, advance royalty payments totaling \$2,081,000 will be deducted from any future royalty payments to lessors / royalty holders. Lease

payments made in 2017 and advance royalty payments as at December 31, 2017 are summarized in the table below.

<b>Lessor / Royalty Holder</b>	<b>Property</b>	<b>Payments in 2017 \$</b>	<b>Advance Royalty Payments as at December 31, 2017</b>
Monarch Greenback, LLC <sup>(1)</sup>	Monarch	-	1,500,000
F. C. Gardner <sup>(2)</sup>	Gardner	10,000	238,500
Hollenbeck Properties LLC <sup>(3)</sup>	Minerva	-	342,500
<b>TOTAL</b>		<b>10,000</b>	<b>2,081,000</b>

Notes:

- (1) Rental payments to Monarch totaling \$290,000 per annum were extinguished upon purchase of this property in June 2011.
- (2) The lease expires on April 30, 2021.
- (3) The parties have agreed to extend the lease to November 2018.

## **ENVIRONMENTAL MATTERS**

AGC built a passive water treatment system located at the 900 level of the mine at the Atlanta Project in late 2012 and early 2013 and has subsequently made a number of additions and variations thereto. The purpose was to treat naturally occurring arsenic and iron in waters discharged from the 900 level adit. While the water treatment system was successful in complying with water discharge parameters a significant majority of the time of the time, during spring runoff, high water flows at times would exceed the system's maximum capability to properly treat the water, resulting in non-compliance with discharge parameters during these peak runoff periods.

In 2012, the U.S. District Court for the State of Idaho held that AGC had failed to comply with the effluent limits of the United States Federal Water Pollution Control Act (the "**Clean Water Act**") and in September 2013, imposed a penalty in the amount of \$2 million, payable in quarterly installments until September 2018. The penalty bears interest at 0.1% per annum from November 28, 2012. In November 2016, the plaintiffs in the original action brought a motion to reopen the above described decision of the U.S. District Court in Idaho, requesting that AGC be held in civil contempt and that additional penalties and enforcement remedies be imposed. On September 15, 2017, the Court granted the motion for civil contempt and ruled that: (1) AGC be required to make improvements to its water treatment system so as to bring the system into substantial compliance with the subject permit no later than August 30, 2018; (2) additional penalties for the permit violations be imposed upon AGC in the amount of \$251,000; and (3) if AGC fails to bring its water treatment system into complete compliance by August 30, 2018, it will be fined an additional \$251,000.

Subsequent to the Court's ruling, AGC made several operating changes to the 900 level water treatment system to help aid in meeting discharge parameters. During mid to late 2017 and through early 2018, the water treatment system has been substantially in compliance with the water discharge parameters.

## **DEBT FINANCING**

### **Convertible Debentures**

The Company currently has C\$2,050,000 principal amount convertible debentures (the “**Debentures**”) outstanding, of which C\$1,500,000 principal amount was issued to Concept Capital Management Ltd. (“**CCM**”). The Debentures have a maturity date of April 1, 2018, bear interest of 10% per annum (12% following an event of default), are convertible into common shares at a price of C\$0.10 per share and are secured by the limited recourse guarantee of AGC and by a mortgage of AGC’s interest in the Atlanta Project.

In June 2017, the Company settled accrued and unpaid interest on the Debentures to April 1, 2016 (being C\$183,150). Under the terms of the agreement, 45% of the balance of accrued and unpaid interest to April 1, 2016 was settled by the issuance of common shares of the Company on the basis of one share for each \$0.077 of interest and the balance of the unpaid interest outstanding was paid by a cash payment.

The principal of the Company’s outstanding Debentures in the amount of C\$2,050,000 and accrued interest in the amount of C\$492,000 became due on April 1, 2018 and remain unpaid. To date, no notice of default has been received as per the terms of the Debentures. Discussions are ongoing with the Debenture holders to settle the interest and extend the maturity date of the Debentures by two years to April 1, 2020, but there can be no assurance that such discussions will be successful and result in an outcome satisfactory to the Company. Failure to comply with the terms of the Debentures also constitutes a cross- default under the Company’s Notes and could result in the holders of the Debentures and the holders of the Notes seeking to enforce their security against the Atlanta Project. Any enforcement action, if successful, could result in AGC ceasing to hold an interest in the Atlanta Project and would have a material adverse effect on the financial condition, business and operations of the Company and AGC.

### **Senior Secured Notes**

The Company currently has \$6,100,000 principal amount senior secured notes (“**Notes**”) outstanding, of which CCM holds \$3,400,000 principal amount. The Notes bear interest of 10% per annum and are repayable in installments (at the rate of 25%, 35% and 40%) on August 31, 2017, 2018 and 2019. The Notes are secured by the limited recourse guarantee of AGC and by a mortgage of AGC’s interest in the Atlanta Project. In connection with the issuance of the Notes, the Company issued options, as amended, to purchase 6,374.5 ounces of gold at a price of \$1,100 per ounce, vesting at the rate of 25%, 35% and 40% on August 31, 2017, 2018 and 2019, respectively. The gold options terminate on August 31, 2019.

In June 2017, the Company settled accrued and unpaid interest on the Notes. 45% of the balance of accrued and unpaid interest was settled by the issuance of common shares of the Company on the basis of one share for each C\$0.077 of interest and the balance of the unpaid interest outstanding was paid by a cash payment.

Payments of principal and accrued interest on the outstanding Notes in the aggregate amount of \$2,135,000 became due on August 31, 2017 and remain unpaid. The Company is in discussions with the holders of its Notes concerning a possible amendment to the payment terms but there can be no assurance that such discussions will be successful and result in an outcome satisfactory to the Company. Failure to comply with the terms of the Notes could result in the

holders of the the Notes seeking to enforce their security against the Atlanta Project. Any enforcement action, if successful, could result in AGC ceasing to hold an interest in the Atlanta Project and would have a material adverse effect on the financial condition, business and operations of the Company and AGC.

### ***Convertible loan***

The Company also has outstanding a convertible loan in the principal amount of \$600,000. The loan is unsecured and non-interest bearing and is to be repaid by delivery to the lender of 1,000 troy ounces of gold (or the cash equivalent thereof) produced from the Neal Property and payable in installments over approximately an 18-month period. The loan is convertible at the lender's election into common shares of the Company at a conversion price of C\$1.00 per share. The lender also received a 5-year option to purchase, solely from gold produced from the Neal Property, up to 2,500 ounces of gold at a price of \$1,400 per ounce.

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

### ***Equity Financing***

In June 2017, the Company issued 26,390,000 common shares to Jipangu Inc. ("**Jipangu**") for aggregate consideration of C\$2,375,100. Under the terms of the financing, the Company repaid C\$1,033,745 of indebtedness owed to Jipangu by the issuance of 11,486,052 common shares of the Company valued at C\$0.09 per share and Jipangu purchased 14,903,948 common shares for \$1,341,355, being a price of C\$0.09 per share.

In June 2017, the Company issued 10,010,374 common shares in satisfaction of C\$770,799 of accrued and unpaid interest to the holders of its Debentures and Notes on the basis of one share for each C\$0.077 of interest.

In light of its limited cash position and working capital deficiency, the Company supplemented its cash position by borrowing \$162,000 in total from Jipangu in August and September 2017. The loans bear interest of 8% per annum and are repayable on demand.

During 2016, the Company raised total gross proceeds of C\$620,682 by way of private placements of common shares. The issuances consisted of 1,750,000 common shares at a price of C\$0.069 per share issued in March, 3,357,600 common shares at a price of C\$0.07 per share issued in April and 3,785,571 common shares at a price of C\$0.07 per share issued in May. In October 2016, the Company supplemented its cash position by borrowing \$750,000 from a shareholder, Jipangu at 8% interest. This loan (principal and accrued interest) was subsequently repaid in June 2017 by the issuance of 11,486,052 common shares, as described above.

### ***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. The Company's principal sources of funding have been the issuance of equity securities for cash, and by a combination of the debt financings described under "Debt Financing", and in respect of the Partnership, by means of the sale of limited partnership units.

The previous decline in gold prices and the challenging financial markets currently faced by

companies in the gold sector 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 has adversely affected the Company's share price and financing efforts.

The Company's cash position as at December 31, 2017 was \$1,000 (not including \$23 of the restricted cash retained by the Partnership) compared to \$544,000 as at December 31, 2016 (not including \$93,000 of the restricted cash retained by the Partnership). The Company's working capital deficiency as at December 31, 2017 was \$17,606,000 compared to a deficiency of \$13,297,000 as at December 31, 2016 with the increase primarily due to the reclassification of the non-current portion of the Notes as current liabilities as a result of the non-payment of principal and interest amounts due on August 31, 2017. (See "Debt Financing - Senior Secured Notes")

	As at	
	December 31, 2017	December 31, 2016
Cash and cash equivalents excluding restricted cash	\$ 1,000	\$ 544,000
Current assets	\$ 201,000	\$ 747,000
Current liabilities	(17,807,000)	(14,044,000)
Working capital (deficiency) <sup>(1)</sup>	\$ (17,606,000)	\$ (13,297,000)

<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 cannot be comparable to similar measures presented by other issuers. Management believes that it is a useful measure when assessing the Company's liquidity.

The significant working capital deficiency has resulted in the Company being in arrears in satisfying a number of its financial commitments. AGC is \$1,025,000 in arrears in payments under the penalty imposed by the Court under the Clean Water Act. The plaintiffs in the original Clean Water Act litigation brought a motion to reopen with the prior decision of the Court and in September 2017, the Court issued a new injunction requiring AGC to make improvements to its water treatment system so as to bring the system into substantial compliance with the subject permit no later than August 30, 2018, failing which AGC will be fined \$251,000. The Court also imposed an additional penalty on AGC of \$251,000. In order to comply with the Court's ruling, the Company will require additional funding to construct further improvements to the water treatment system and will require significant additional funding to enable AGC to pay the additional penalties imposed by the Court and to pay the outstanding balance of the original penalty imposed by the Court. Failure to comply with the Court's orders could lead to additional penalties being imposed against AGC by the Court, which penalties could be significant. The Company's outstanding Debentures in the principal amount of C\$2,050,000 and interest payments in the amount of C\$492,000 became due on April 1, 2018 and remain unpaid. In addition, payments of principal and interest on the Company's outstanding Notes in the aggregate amount of \$2,135,000 due on August 31, 2017 remain unpaid. The Company is continuing discussions with its lenders, with its largest shareholder, Jipangu and with others in respect of various financing alternatives to meet its financial commitments and current working capital requirements. During 2017 and in the first quarter of 2018, Jipangu has provided limited

advances of funds, pending completion of a significant financing.

As the Company is in the development stage and has no ongoing source of cash flow, additional funding by means of equity and/or debt financings is necessary in the short and longer terms. The Company continues to seek additional near-term financing in the range of C\$5 to C\$7 million. Successful completion of financings in the lower end of this range would address immediate operational requirements.

There can be no assurance that the planned financings by the Company and by the Partnership will be completed in a timely manner or at all. If completion of the financings continues to be delayed or the planned financings are not completed or are completed for reduced amounts, the Company will be required to further reduce or repurpose planned operational expenditures and / or rely on other sources of funds, if available, which may include additional shareholder loans. The Company may also consider the sale of non-core assets and direct investments by third parties in the Atlanta Project to assist it in meeting its ongoing capital requirements. The Company will require additional financing to assist AGC to meet its obligations under the Court penalty, to finance its exploration and development activities and to meet its debt servicing obligations. There can be no assurance that agreement can be reached with the Company's lenders or that AGC will be able to fund the requisite amounts required under the Court order in a timely manner or at all. If the Company's discussions with its lenders are ultimately unsuccessful, the lenders could seek to enforce their security on the Atlanta Project. If AGC's efforts to satisfy the requirements of the Court orders are unsuccessful, the Court could impose additional penalties on AGC, which penalties could be significant. The inability to obtain additional funding on a timely basis or to reach agreements with the Company's lenders or to resolve the environmental litigation will have a material adverse effect on the financial condition, business and operations of the Company and AGC.

### ***Equity***

As at December 31, 2017, the Company had (a) 76,147,083 consolidated common shares issued and outstanding (December 31, 2016 – 38,448,008); (b) stock options to purchase 4,750,000 consolidated common shares (December 31, 2016 – Nil) of the Company at exercise price of C\$0.065 expiring between May and July 2022; and (c) warrants to purchase 192,000 common shares (December 31, 2016 - 592,000) of the Company at exercise price of C\$0.10 expiring in April 2018. Shareholders' equity as at December 31, 2017 was \$29,536,000 compared to \$31,146,000 as at December 31, 2016.

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

Corporate overhead expenses for the year ended December 31, 2017 were \$541,000 compared to \$343,000 for the year ended December 31, 2016. The increase in the current year is attributable to stock-based compensation incurred in 2017 and higher professional fees, investor relations fees, and salaries and management fees during 2017.

### ***Capital Expenditures***

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

Capital expenditures in 2017 were \$565,000 and included expenditures on salaries, 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 2016 were \$736,000 and included expenditures on salaries, project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the 900 Adit.

Exploration and evaluation expenditures for the Atlanta Project for the years ended December 31, 2017 and 2016 are shown in the table below.

	For the years ended	
	December 31, 2017	December 31, 2016
<b>Opening Balance</b>	\$ 47,531,280	\$ 46,794,812
Equipment rental	26,654	24,141
Field expenses	705	568
Salaries	375,393	297,488
Project administration	156,786	116,706
Rehabilitation provisions	-	13,216
Depreciation - field equipment	5,944	284,349
<b>Total Increase During the Period<sup>(1)(2)</sup></b>	\$ 565,482	\$ 736,468
<b>Closing Balance</b>	\$ 48,096,762	\$ 47,531,280

- (1) Additions in the years ended December 31, 2017 include expenditures on salaries, project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the Adit.
- (2) Additions in the years ended December 31, 2016 include expenditures on salaries, project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the Adit.

#### **Neal Property, Idaho, USA:**

Capital expenditures in the year ended December 31, 2017 were \$186,000 and included expenditures on field expenses, excavation, project administration, engineering and lab analysis. In comparison, capital expenditures in 2016 were \$468,000 and included expenditures on project administration and salaries.

Exploration and evaluation expenditures for the Neal Property for the years ended December 31, 2017 and 2016 are shown in the table below.

	For the year ended	
	December 31, 2017	December 31, 2016
<b>Opening Balance</b>	\$ 739,356	\$ 271,356
Geology/Geophysics	-	8,080
Engineering	-	2,450
Excavation	-	85,861
Equipment rental	2,755	103,908
Salaries	57,626	-
Road maintenance	233	4,076
Permitting	1,140	2,955
Drilling	-	18,792
Reclamation	-	12,782
Lab analysis	4,987	18,668
Project administration	119,383	210,428
<b>Total Increase During the Period<sup>(1)</sup></b>	186,124	468,000
<b>Closing Balance</b>	\$ 925,480	\$ 739,356

- (1) Additions in the year ended December 31, 2017 include expenditures on equipment rental, drilling, lab analysis, excavation, project administration, engineering and others.
- (2) Additions in the year ended December 31, 2016 include expenditures on field expenses, excavation, project administration, engineering, lab analysis and others.

### **Property, plant and equipment**

The net increase of property, plant and equipment for the year ended December 31, 2017 was \$35,000, which reflected the additions to the water treatment facility as adjusted by depreciation expenses, which were partially offset by the sale of certain equipment.

In comparison, the net decrease of property, plant and equipment for the year ended December 31, 2016 was \$602,000, which reflected the disposal of the East Amity Road property following the foreclosure on the mortgage on that property in May 2016 and the disposal of real estate property and equipment, which were partially offset by additions to the water treatment facility, which was adjusted by depreciation expenses.

### **Intangible assets**

The net increase of intangible assets for the year ended December 31, 2017 was \$1,000, which included the costs incurred in the Company's 45% owned subsidiary, HydroClean, to seek to obtain a patent for the water treatment technologies and for organizational costs.

In comparison, the net increase of intangible assets for the year ended December 31, 2016 was \$115,000, which included the costs incurred in the Company's 45% owned subsidiary, HydroClean, to seek to obtain a patent for the water treatment technologies and for organizational costs.

### **Contingencies and Commitments**

The Company has made commitments in respect of its head office leases, payments against the penalty levied by the Court, implementation of the Supplemental Plan of Operations, 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	18	18	-	-
Penalty, attorney fees and litigation costs <sup>(6)</sup>	1,926	1,926	-	-
Shareholders' loans	1,411	1,411	-	-
Rehabilitation provisions - Atlanta gold property <sup>(1)</sup>	1,082	1,082	-	-
Rehabilitation provisions - Brodeur diamond property <sup>(2)</sup>	82	82	-	-
Convertible loan <sup>(3)</sup>	809	809	-	-
Convertible debentures <sup>(4)</sup>	2,026	2,026	-	-
Senior secured notes <sup>(5)</sup>	7,564	7,564	-	-
Operating leases	87	87	-	-
Other long-term obligations	30	20	10	-
<b>Total Contractual Obligations</b>	<b>15,035</b>	<b>15,025</b>	<b>10</b>	<b>-</b>

- (1) This includes an estimate of the expenditures necessary to close the 900 level tunnel adit.
- (2) The final phase of the restoration program at the Brodeur diamond property is expected to be completed within the next two years when funds are available.

- (3) On June 11, 2014, the Company borrowed \$600,000 by means of a convertible loan. The loan is unsecured and non-interest bearing and is to be repaid by delivery to the lender of 1,000 troy ounces of gold (or the cash equivalent thereof) payable in installments over an approximately 18-month period. The gold payments (1,000 troy ounces) were valued at \$774,000.
- (4) See the description of the Debentures above under "Debt Financing-Convertible Debentures".
- (5) \$6.1 million principal amount Notes are currently outstanding and are repayable in cash installments at the rate of 25%, 35% and 40% on August 31, 2017, 2018 and 2019, respectively. See the description above under "Debt-Financing-Senior Secured Notes".
- (6) AGC is subject to a Court order requiring it to pay penalties for violations of the Clean Water Act. AGC is in arrears in respect of these payments. The penalty bears interest at 0.1% per annum and is secured against four generators owned by AGC. Please refer to the section herein entitled "Environmental Matters". Please also refer to Note 16 Commitments and Contingencies in the Company's audited consolidated financial statements for the year ended December 31, 2017

## Discussion of Operations

### Fourth Quarter Results

General and administrative expenses for the fourth quarter of 2017 were \$45,000 (2016 - \$85,000). The \$40,000 decrease in 2017 over the comparable prior period reflects an decrease in professional fees, salaries and management fees and administrative and office expenses.

Cash used in the operating activities for the fourth quarter of 2017 was \$109,000 (2016 - \$11,000). The increase in 2017 over the fourth quarter of 2016 reflects that the payments of Company's payables and accrued liabilities were increased in the fourth quarter of 2017.

Cash from financing activities for the fourth quarter of 2017 was Nil (2016 - \$750,000), reflecting no financing in the fourth quarter of 2017 as compared to the shareholder's loan from Jipangu borrowed in October 2017.

Cash used in investing activities for the fourth quarter of 2017 was \$104,000 (2016 - \$366,000) resulting from mineral property expenditures of \$128,000 (2016 - \$220,000) and net additions of equipment of \$25,000 (2016 - net disposal of equipment of \$16,000).

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 (3)	General and Administrative Expenses	Net Loss (Income) (2)	Basic Loss (Income) Per Share	Fully Diluted Loss (Income) Per Share
December 31, 2017	-	45	1,911 <sup>(1)</sup>	0.03	0.03
September 30, 2017	-	247	2,733 <sup>(1)</sup>	0.04	0.04
June 30, 2017	-	157	1,769 <sup>(1)</sup>	0.04	0.04
March 31, 2017	-	92	865 <sup>(1)</sup>	0.02	0.02
December 31, 2016	-	85	(994) <sup>(1)(4)</sup>	(0.03)	(0.03)
September 30, 2016	-	68	(415) <sup>(1)(4)</sup>	(0.01)	(0.01)
June 30, 2016	-	124	753 <sup>(1)</sup>	0.02	0.01
March 31, 2016	-	67	3,548 <sup>(1)</sup>	0.12	0.06

(1) No mineral costs were expensed.

(2) The Company has not incurred any losses arising from discontinued operations or extraordinary items in the last eight quarters.

- (3) *Since the Company is not in production, it does not generate any revenue.*
- (4) *Net income in the fourth and third quarter of 2016 arose from foreign exchange gains 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 located in Idaho, U.S.A., which are principally gold properties. In December 2013, the Company elected to have its interest in the Brodeur diamond property lapse and the Company expects to complete the rehabilitation work at the Brodeur site within the next two years when funds are available. In November 2014, the Company sold its Quebec gold property. Since 2008, the Company's activities have focused on the Atlanta Project, an advanced stage gold exploration property, and since June 2014, have also focused on the Neal 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. The Company's activities at the Atlanta Project have been and may in the future be adversely impacted by natural disasters such as forest fires and flooding. Due to severe flooding in August 2014 in the area of the Atlanta Project which restricted access to the site, the Company determined to move its planned bulk sampling operation to the Neal Property. 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 Neal Property is accessible during all-seasons and it is anticipated that processing of material from that property will primarily occur during those months when the Atlanta Project is inaccessible.

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 either the Atlanta Project or the Neal Property in 2017.

### **SELECTED ANNUAL INFORMATION**

*All amounts in this section's tables are expressed in thousands of United States dollars, except per share data.*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Revenues	Nil	Nil	Nil
(Gain)/Loss	7,278	2,892	(6,537)
(Gain)/Loss per share	0.12	0.08	(0.24)
(Gain)/Net loss	7,278	2,892	(6,537)
Net (gain)/loss per share	0.12	0.08	(0.24)
Total assets	49,389	49,148	48,479
Total non-current financial liabilities	965	2,876	7,202
Cash dividends per share	Nil	Nil	Nil

Due to the weakening of the U.S. dollar relative to the Canadian dollar during 2017, the

Company had a foreign exchange loss of \$3,305,000, most of which was derived from translation of inter-company loans made by the Company to AGC, which are denominated in U.S. dollars, resulting in net loss of \$7,278,000. The financial statements are presented in U.S. dollars, so the Company's balances are translated from Canadian dollars to U.S. dollars. The translation of loans receivable from AGC to the Company from Canadian dollars into U.S. dollars has been recognized on the balance sheet in accumulated other comprehensive loss.

Total assets increased by \$241,000 to \$49,389,000 at December 31, 2017 (2016 - \$49,148,000) primarily due to mineral property expenditures and increases of other receivables. Total assets increased by \$669,000 to \$49,148,000 at December 31, 2016 primarily due to mineral property expenditures and increases of restricted cash and cash and cash equivalents.

## **OUTLOOK**

### ***General Overview***

The gold sector appears to be stabilizing in 2017 and early 2018, as the gold price continues a gradual upward trend. Rising gold prices are expected to result in positive investor sentiment and increased support throughout the sector, including for gold exploration and development companies such as the Company. This support is critical to create the market conditions and opportunity to enable the Company to obtain the financing necessary to advance the Atlanta Project and the Neal Property in 2018.

The price of gold is the most significant factor that will affect the Company's future profitability and operating cash flows. 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 a gold exploration and development company, the Company depends on the availability of sufficient financing to move its projects forward. We continue to review alternatives to finance our gold projects, including equity placements, conventional loans, gold loans and / or gold streaming, joint ventures and/or partnerships.

Pending receipt of financing, the Company plans to continue the advancement of our flagship gold assets located north of Boise Idaho near the historical mining camp of Atlanta, Idaho as well as our Neal Project located closer to Boise. The plan for 2018 calls for the advancement of the Neal project with custom milling of gold bearing material and planning for additional excavations, within the current open pit, to produce additional gold bearing material also for custom milling off site. The Atlanta Project is intended to be advanced by commencement of initial engineering and design work for scoping of the open pit, underground mine and onsite mill processing facility, along with a commissioning of a pre-feasibility study. A new NI 43-101 technical report will also be commissioned and to be completed simultaneously with the pre-feasibility study. The Atlanta Project will begin additional baseline environmental studies, to augment previously completed environmental studies, and completion of those additional studies will then lead to filing for full operating permits with the respective permitting agencies for full operating permits for a full scale open pit mine, underground mine and onsite processing facility. An upgrade of the water treatment system located at the 900 tunnel level is proposed

and work with the United States Forrest Service (“**USFS**”) to design and approve a 900 level plugging plan will be key to our 2018 and 2019 plans. If approved by the USFS in 2018, a water control plug in the 900 level tunnel, would most likely, not be installed until 2019 or 2020.

### ***Neal Project – Plan for 2018***

We plan on advancing our Neal gold project, located within a 45 minute drive from Boise, Idaho, through bulk sampling and metallurgical test processing in 2018. In 2015 – 2017, the interim focus shifted to the Neal Property project with onsite work at Neal consisting of excavating and adding to stockpiled gold bearing material. In 2015, approximately 8,000 tons were excavated and stockpiled and a further 6,000 tons were excavated in 2016 for a total of, approximately, 14,000 tons of gold bearing material with an estimated gold grade of 0.149 ounces per ton (“**opt**”) (5.12 grams per tonne (“**gpt**”)) in the stockpile at the Neal project. Concurrent reclamation has been ongoing as the Neal project progresses. The plan is now set to for the excavation of up to an additional tonnage in 2018 to be added to the bulk sample stockpile gold bearing material in 2018. To advance the Neal project, an Environmental Reclamation Plan was approved and a mine permit granted on April 20, 2017. The reclamation and operating permit is subject to certain conditions agreed upon with the Idaho Department of Lands and becomes active upon agreeing to the conditions and establishment of a reclamation bond. All project advancement plans for the Neal project in 2018 are subject to the availability of sufficient financing on acceptable terms for all partners involved in the Partnership.

The plan or scope of work for the Neal project for 2018 is to ship the previously mined and stockpiled gold bearing material to an active mine and mill operation in Nevada and have the gold bearing material processed at the custom mill in Nevada. Additional mining and ore shipments will be planned and continue once final results for ore processed and gold sold are received from the custom mill. The scope of initially shipping and custom mill processing of the gold bearing ores will guide the Neal project in grade control and profitability parameters to be applied to future mining.

### ***Atlanta Project – Plan for 2018***

In 2018, the Atlanta Project, our flagship exploration and development gold property will see advancement with an engineering and design phase through the scoping of an open pit, underground mine and onsite processing mill facility.

A pre-feasibility level study will be commissioned for the project once the scoping process is completed in the later part of 2018 and early 2019.

A new NI 43-101 technical report is also contemplated to be commissioned once the scoping process is completed and will be completed simultaneously with the pre-feasibility study. Additional base line environmental studies will be commissioned to set the stage for filing for full operating permits at the Atlanta Project. Full permitting of the Atlanta Gold Project is expected to take 3 to 4 years and be completed by the years 2021 to 2022.

An upgrade to the 900 level water treatment facility is contemplated as well as a design for a plugging plan for the 900 level tunnel. Working with the USFS will be part of the key plans to design and gain approvals required to plug the 900 level tunnel. The passive water filtration system was installed below the 900 level tunnel adit at Atlanta in October 2012 and expanded during 2013. The final stage of the government-approved SPOO is to plug the 900 cross-cut

and complete the closure plan for the Adit. The location and final design of the plug is subject to the approval of the USFS and that decision cannot be finalized until rehabilitation of the cross cut is complete. Rehabilitation of the cross cut, engineering and the installation of a permanent plug requires significant time and funding. The installation of a control plug, which will create a large reservoir of water, will provide the operator with the ability to control water discharge, manage water requiring treatment and maintain compliance with the Clean Water Act. The implementation of an action plan for plugging the 900 level tunnel can be scheduled once approvals for the 900 level water plug are granted by the USFS. Plugging of the 900 tunnel could be expected to occur in 2019 and 2020.

All of the work planned for the Atlanta Project, including in respect of the rehabilitation of the 900 cross-cut and the construction of the plug, is subject the Company and AGC obtaining adequate financing.

In summary, the key components of the 2018 and 2019 plans for the Atlanta Project are as follows: 1) completion of initial engineering and design work for scoping of the open pit, underground mine and onsite mill processing facility. 2) commissioning of a pre-feasibility study 3) commissioning of a new NI 43-101 technical report to be completed simultaneously with the pre-feasibility study; 4) commencement of additional baseline environmental studies to augment previous baseline studies completed; 5) filing for full operating permits with the respective agencies for full operating permits for a full scale open pit mine, underground mine and onsite processing facility; and 6) upgrading of the water treatment system located at the 900 tunnel level and working with the USFS to design and approve a 900 level plugging plan.

All work programs planned and scheduled for 2018 and 2019 are subject to obtaining sufficient financing.

### ***HydroClean***

As noted above, AGC has filed an International Patent in respect of certain aspects of the water treatment facility and through its interest in HydroClean Resources LP.

### ***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 years ended December 31, 2017 was \$494,971 (December 31, 2016 - \$388,301) including \$450,265 (December 31, 2016 - \$388,301) of salaries and consulting fees and \$44,706 of stock-based compensation (December 31, 2016 - Nil). The remuneration of the Company's directors included \$132,751 of stock-based compensation during the year ended December 31, 2017 (December 31, 2016 - Nil).

The Company had accrued \$668,530 of the Company's former CEO's salary including \$600,000 of principal accrued for the period from 2013 to 2016 and \$68,530 of outstanding interest. At December 31, 2016, \$626,530 was accrued for one-half of the former CEO's salary including \$600,000 of principal accrued for the period from 2013 to 2016 and \$26,530 of outstanding interest. This amount is unsecured, has no fixed terms of repayment and bears interest at the rate of 7% per annum. While the Company has accrued for what it believes to be the maximum liability to the former CEO, the liability could be substantially less due to the agreements reached

between the former CEO and the Company from 2013 to 2016. In November 2017, the former CEO launched an action in the District Court of Idaho against the Company and AGC for breach of contract in respect of unpaid remuneration and damages seeking \$632,771 plus interest accrued thereon of damages and a penalty of three times the amount of wages owed him, an approximate total amount in excess of \$1,898,313 plus interest accruing thereon. The Company and AGC are defending this action.

At December 31, 2017, aggregate shareholders' loans of \$1,411,356 (December 31, 2016 - \$1,892,891) were payable to various shareholders of the Company, including to Allan Folk who is the Chair and a director of the Company. Of the total amount, \$352,059 (December 31, 2016 - \$332,806) was owed to Wm. Ernest Simmons, the former President and CEO of the Company, for the purchase of equipment and it was evidenced by demand promissory notes bearing interest of 7% per annum and was secured against the equipment purchased. The remaining shareholder loans of \$1,059,297 (December 31, 2016 - \$1,560,085) were from shareholders. The loans bear interest of 8% per annum and are repayable on demand.

### ***Accounting Policies***

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017 and have been implemented as of that date. The amendments clarify that the existence of a deductible temporary difference depends only on a comparison of the carrying value of an asset and its tax base at the end of the reporting period. It is not affected by possible future changes in the carrying value or expected recovery of the asset. The amendments also clarify the methodology to be used to determine future taxable profits while assessing the utilization of deductible temporary differences. The implementation of this amendment did not have a material impact on the Company's financial statements.

IFRS 9 – Financial Instruments. On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)). The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The Company expects to record an income charge due to a financial liability modification incurred in 2017 and no change in reclassification and measurement of the financial assets and liabilities. The Company expects the revised approach

to hedge accounting to have no material effect on the financial statements.

IFRS 15, Revenue from Contracts with Customers, was issued in May 2014 and replaces the previous guidance on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018. The Company does not expect adopting the new requirement to have a material impact on the financial statements.

IFRS 16, Leases. The standard on leases was issued in January 2016 and is effective for annual reporting periods beginning on or after January 1, 2019 for public entities with early adoption permitted, provided IFRS 15 has been applied or is applied at the same date as IFRS 16. The Company does not expect adopting the new requirement to have a material impact on the financial statements.

IFRS 2, Share-based payments amendments (“Amendments to IFRS 2”). The Amendments to IFRS 2 clarify the classification and measurement of share-based payments for cash-settled share-based payment transactions or for share-based payment transactions with net settlement features for withholding tax obligations or for any modifications to the terms and conditions of a share-based payment transaction that changes its classification from cash-settled to equity-settled. The effective date of the amendments is January 1, 2018. The Company does not expect adopting the new requirement to have a material impact on the financial statements.

### ***Uncertainties and Risk Factors***

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

### ***Financing Risk***

The Company has extremely 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. The Company has experienced delays in obtaining requisite funding and 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 its properties 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 secures additional funding through the issue of equity securities, such financings will dilute the holdings of the Company’s existing shareholders.

**Secured Indebtedness**

The Company's Notes and Debentures are guaranteed by AGC and secured by a mortgage on AGC's Atlanta Project. The Company is currently in arrears in respect of payments required under the Notes and Debentures. Should the Company fail to reach agreement with the holders of the Notes and Debentures to amend the payment terms or otherwise fail to comply with its obligations under the terms of the indebtedness, the holders of the Notes and Debentures could seek to enforce their mortgage security, which could result in AGC losing its interest in the Atlanta Project.

If the holders of the Debentures elect to convert all or a portion of the Debentures into common shares of the Company, the holdings of the Company's existing shareholders will be diluted.

In connection with various financings, AGC issued options to acquire gold from AGC. If AGC is unable to obtain sufficient gold from its projects 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 its projects could have a material adverse effect on the financial condition, business and operations of AGC and the Company.

**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 previously been ordered to pay a penalty in the amount of \$2,000,000, payable in quarterly installments over a five-year period. The Court order was re-opened in 2017 and the Court imposed further penalties, including additional penalties ranging from \$251,000 to \$502,000. While AGC is endeavoring to comply with the terms of the Court order, it remains in arrears of its payment schedule and if AGC is unable to pay the penalty and related interest within the allotted times and to reach full compliance with the Clean Water Act permit in the time allotted by the Court, 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 equipment provided by AGC as security for payment of the penalty, which could result in the loss of AGC's interest in the secured 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 on a timely basis or at all. Failure to obtain the requisite permits on a timely basis could, and the failure to obtain the requisite permits would, have a material adverse effect on the business and operations of the Company and AGC.

### ***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, such as the flooding in August 2014 in the area of the Atlanta Project, 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.

**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.

**Voting Control**

Jipangu currently owns approximately 44% of the Company's outstanding common shares and presently has two nominees on the Company's Board of Directors. Jipangu currently has significant influence over the activities of the Company and could significantly impact the direction of the Company in the future. Jipangu's significant ownership position may also reduce the likelihood of a third party making an offer to acquire the common shares of the Company.

**Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**April 30, 2018**