

Atlanta Gold Inc.

Interim Consolidated Financial Statements

September 30, 2011

(in U.S. dollars)

(unaudited)

Notice of no auditor review of interim financial statements

Under National Instrument 51-102, Part 4, subsection 4.3(3a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

November 22, 2011

ATLANTA GOLD INC.

(an exploration stage company)

INTERIM CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30 2011 \$	December 31 2010 \$	January 1 2010 \$
(in U.S. dollars)			
ASSETS			
Current assets			
Cash and cash equivalents	615,398	2,779,772	1,406,916
Marketable securities	25,627	28,644	25,251
Recoverable taxes	100,794	102,937	38,624
Prepaid expenses	41,770	105,670	82,260
	<u>783,589</u>	<u>3,017,023</u>	<u>1,553,051</u>
Exploration and evaluation asset (note 6)	41,465,310	34,904,169	30,208,915
Property, plant and equipment (note 5)	<u>2,140,944</u>	<u>1,347,374</u>	<u>490,688</u>
	<u>44,389,843</u>	<u>39,268,566</u>	<u>32,252,654</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	645,960	354,839	153,341
Loan payable (note 6)	<u>3,000,000</u>	<u>-</u>	<u>-</u>
	<u>3,645,960</u>	<u>354,839</u>	<u>153,341</u>
Non-current liabilities			
Promissory note (note 5)	425,000	-	-
Deferred income taxes	<u>1,981,294</u>	<u>1,981,294</u>	<u>1,456,503</u>
	<u>2,406,294</u>	<u>1,981,294</u>	<u>1,456,503</u>
EQUITY			
Capital stock	85,850,344	85,015,716	79,303,843
Warrants (note 7(b))	3,903,418	2,651,674	539,658
Contributed surplus (note 7(c))	6,537,184	6,001,498	5,384,410
Accumulated deficit	<u>(57,953,357)</u>	<u>(56,736,455)</u>	<u>(54,585,101)</u>
	<u>38,337,589</u>	<u>36,932,433</u>	<u>30,642,810</u>
	<u>44,389,843</u>	<u>39,268,566</u>	<u>32,252,654</u>

Nature of operations and going concern (note 1)

Contingency (note 9)

Subsequent Events (note 10)

The accompanying notes are an integral part of these interim consolidated financial statements

ATLANTA GOLD INC.

(an exploration stage company)

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three and nine months ended September 30, 2011 and 2010

(unaudited)

(in U.S. dollars)	For the three months ended		For the nine months ended	
	September 30 2011	September 30 2010	September 30 2011	September 30 2010
	\$	\$	\$	\$
General and administrative expenses				
Salaries and management fees (note 8)	109,986	113,066	344,474	263,243
Stock-based compensation (note 7(c))	6,351	125,650	52,788	248,147
Professional fees	72,887	75,046	427,075	253,258
Investor relations	111,215	43,500	290,410	168,204
Travel	6,016	7,540	22,092	18,767
(Gain) loss from foreign currency transactions	-	(514)	-	11,407
Administrative and office	40,600	27,314	74,832	95,288
Amortization	-	-	-	2,928
	<u>347,055</u>	<u>391,602</u>	<u>1,211,671</u>	<u>1,061,242</u>
Exploration and evaluation expense	<u>(1,051)</u>	<u>2,120</u>	<u>4,377</u>	<u>8,580</u>
	346,004	393,722	1,216,048	1,069,822
Finance items				
Interest income	(1,659)	(20)	(2,163)	(5,981)
Changes in fair value of marketable securities	<u>3,769</u>	<u>(4,523)</u>	<u>3,017</u>	<u>(1,130)</u>
Net loss and comprehensive loss for the period	<u>348,114</u>	<u>389,179</u>	<u>1,216,902</u>	<u>1,062,711</u>
Weighted average number of consolidated shares outstanding	167,434,991	114,552,653	167,434,991	114,552,653
Net loss per share - basic and diluted	0.00	0.00	0.01	0.01

Nature of operations and going concern (note 1)

The accompanying notes are an integral part of these interim consolidated financial statements

ATLANTA GOLD INC.

(an exploration stage company)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

For the three and nine months ended September 30, 2011 and 2010

(unaudited)

(in U.S. dollars)	For the three months ended		For the nine months ended	
	September 30	September 30	September 30	September 30
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash Flow provided by (used in)				
Operating activities				
Net loss and comprehensive loss for the period	(348,114)	(389,179)	(1,216,902)	(1,062,711)
Add (deduct) items not involving cash:				
Amortization	-	-	-	2,928
Stock-based compensation expense	6,351	125,650	52,788	248,147
Changes in fair value of marketable securities	3,769	(4,523)	3,017	(1,130)
Net change in non-cash working capital	523,643	(151,400)	246,578	(151,860)
Net cash from (used in) operating activities	185,649	(419,452)	(914,519)	(964,626)
Financing activities				
Debt proceeds (notes 5 and 6)	-	-	3,000,000	-
Issuance of common shares:				
<i>net of issue cost</i>	2,211,628	4,945,518	2,211,628	7,163,787
Net cash from (used in) financing activities	2,211,628	4,945,518	5,211,628	7,163,787
Investing activities				
Exploration and evaluation asset	(2,239,433)	(1,562,115)	(6,083,883)	(3,210,620)
Property, plant and equipment	(132,012)	(20,160)	(377,600)	(172,326)
Net cash from (used in) investing activities	(2,371,445)	(1,582,275)	(6,461,483)	(3,382,946)
Increase (decrease) in cash and cash equivalents	25,832	2,943,791	(2,164,374)	2,816,215
Cash and cash equivalents, beginning of period	589,566	1,279,340	2,779,772	1,406,916
Cash and cash equivalents, end of period	615,398	4,223,131	615,398	4,223,131
<i>Net change in non-cash working capital items</i>				
Recoverable sales taxes	94,302	(125,722)	2,143	(92,608)
Prepaid expenses	21,000	11,250	63,900	33,750
Accounts payable and accrued liabilities	408,341	(36,928)	180,535	(93,002)
	523,643	(151,400)	246,578	(151,860)
<i>Significant non-cash financing and investing activities</i>				
Shares issued and promissory note assumed (note 5)	760,000	-	760,000	750,538
Income taxes paid	-	-	-	-
Total interest paid	2,480	-	2,480	-

The accompanying notes are an integral part of these interim consolidated financial statements

ATLANTA GOLD INC.

(an exploration stage company)

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine months ended September 30, 2011 and 2010

(unaudited)

	Share Capital		Warrants (note 7(b))	Contributed Surplus (note 7(c))	Accumulated Deficit	Total
	Number of Shares	Share Capital (note 7)				
		\$	\$	\$	\$	\$
<i>(in U.S. dollars)</i>						
Balance - January 1, 2010	90,048,874	79,303,843	539,658	5,384,410	(54,585,101)	30,642,810
Issue shares at \$0.22 per common share to acquire Newmont assets, net of share issue costs	4,535,600	980,338				980,338
Issue shares for cash at \$0.16 per common share unit, net of share issue costs	14,916,100	1,367,752	897,818			2,265,570
Issue shares for cash at \$0.16 per common share unit, net of share issue costs	34,375,000	3,139,831	1,780,375			4,920,206
Issue shares at \$0.13 per common share on the exercise of warrants	229,360	63,017	(33,200)			29,817
Stock-based compensation (note 7(c))				314,136		314,136
Net loss and comprehensive loss for the period					(1,062,711)	(1,062,711)
Balance - September 30, 2010	144,104,934	84,854,781	3,184,651	5,698,546	(55,647,812)	38,090,166
Balance - December 31, 2010	144,858,934	85,015,716	2,651,674	6,001,498	(56,736,455)	36,932,433
Issue of shares for cash, net of share issue costs (note 7(d))	35,714,276	499,628	1,712,000			2,211,628
Issue shares to acquire 3N LLC property (note 5)	2,066,829	335,000				335,000
Stock-based compensation (note 7(c))				75,430		75,430
Warrants expiring unexercised (note 7(b))			(460,256)	460,256		-
Net loss and comprehensive loss for the period					(1,216,902)	(1,216,902)
Balance - September 30, 2011	182,640,039	85,850,344	3,903,418	6,537,184	(57,953,357)	38,337,589

The accompanying notes are an integral part of these consolidated interim financial statements

Atlanta Gold Inc.
Notes to Unaudited Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2011 and 2010
(All amounts in U.S. dollars unless otherwise stated)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Atlanta Gold Inc. (the "Company") was incorporated on March 6, 1985 under the laws of British Columbia and continued into Ontario on March 15, 2000. It currently has its head office at 5600 – First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1C9. Its common shares are listed on the TSX Venture Exchange trading under the symbol "ATG", and on the OTC Markets Group Inc. OTCQX International tier trading under the symbol "ATLDF".

The Company's primary property is its Atlanta Gold Property ("Atlanta"), located in Idaho, U.S.A. Atlanta is in the advanced exploration phase. The Company's other properties have been written off, including the diamond properties located on Baffin Island and in Northern Québec and its Québec gold properties, which are all in the exploration phase. No further work is planned in these areas.

Recoverability of exploration and development expenditures is dependent upon the further development of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, its ability to obtain necessary financing, obtain government approval and attain profitable production, or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying amounts of deferred exploration expenditure.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they become due. While the consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, to date, the Company is not considered to be in operation, and thus, has not yet generated any revenues or cash flows from operations, and has reported an accumulated deficit of \$57,953,357 as at September 30, 2011. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. In view of these circumstances, the Company requires additional financings to complete its planned exploration program on Atlanta, and will continue to explore financing alternatives to raise capital. Nevertheless, it is not possible to determine with any certainty the success of these initiatives. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The Company's ability to continue as a going concern depends on obtaining funding and achieving profitable operations. Management communicates regularly with potential strategic investors and evaluates opportunities presented to it in this regard. Although management has been successful in obtaining sufficient capital to date in pursuing the Company's business plans, there can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its 2011 interim consolidated financial statements. The accounting policies followed in these interim financial statements are the same as those applied in the Company's interim financial statements for the periods ended March 31, 2011 and June 30, 2011. The term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting and IFRS

Atlanta Gold Inc.
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1, First-Time Adoption of International Financial Reporting Standards. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported equity as at September 30, 2010, and its comprehensive loss for the three and nine months ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued as of November 22, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS. The interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Company's interim financial statements for the periods ended March 31, 2011 and June 30, 2011, prepared in accordance with IFRS applicable to comparative interim financial statements.

3. Significant accounting policies

The significant accounting policies used in the preparation of these interim consolidated financial statements are described below and have been applied consistently to all periods presented in these interim consolidated financial statements and in preparing the opening IFRS balance sheet at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value.

Consolidation

The financial statements of the Company consolidate the accounts of Atlanta Gold Inc, and its wholly-owned subsidiary Atlanta Gold Corporation ("AGC"). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are those entities (including special purpose entities) which the Company controls by having the power to govern the financial and operating policies. The criteria used include an analysis of the Company's level of ownership, voting rights and level of representation on the board of directors. The Company evaluates these criteria in terms of determining whether the existence of one of the criteria alone (such as a majority ownership of all voting securities), or a combination of the criteria when taken together, would result in having control, or the ability to exercise control, of the management, business focus or strategy and/or critical policies of the particular entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Functional currency and change in presentation currency

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the functional currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in U.S. dollars ("USD"), which is the group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of each entity using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the statement of income.

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(iii) Company entities

The results and financial position of all the Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets, liabilities and equity for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- All resulting exchange differences have been recognized in other comprehensive income and accumulated.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets and liabilities at fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. The only instruments held by the Company classified in this category are marketable securities. Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented in the statement of comprehensive loss within other gains and losses in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, loan payable and long-term promissory note. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Loan payable and long-term promissory note are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

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Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment include office furniture, vehicles, fixtures, equipment and computer hardware. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is recognized when replaced. Repairs and maintenance costs are charged to the statement of comprehensive loss during the period in which they are incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets (major components) of property, plant and equipment. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive loss. The major categories of property, plant and equipment are depreciated on a straight-line basis as follows: a) The office furniture, fixtures, and equipment are amortized over ten years; and b) vehicles and computer hardware are depreciated over three years. All property, plant, and equipment are depreciated on a straight-line basis.

Exploration and evaluation asset

Exploration and evaluation assets are deferred in the accounts, net of amounts recovered from third parties, including option payments received. At production, the carrying value of these assets will be amortized using the units-of-production method based on estimated reserves. Costs relating to properties abandoned are written off when the decision to abandon is made, or earlier if a determination is made that the property does not have economically recoverable reserves. Costs relating to lease/option, and rental fees and annual renewal fees are deferred in the accounts.

The Company reviews the carrying values of its exploration and evaluation assets on a regular basis with a view to assessing whether there has been any impairment in value. When impairment conditions are identified, reviews of exploration and evaluation assets are conducted including an assessment of drilling and exploration results, and revenues, pending determination of the technical feasibility and commercial viability of the project and a decision by the Board of Directors or management of the Company to develop a mine. The carrying values, which are impaired, are written down to fair value.

Impairment of Non-financial assets

Property, plant and equipment and exploration and evaluation assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses, for potential reversals when events or circumstances warrant such consideration.

Current and deferred income tax

Income tax comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. In general, deferred income tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using income tax rates and laws that have been enacted or substantively enacted at the balance

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sheet date and are expected to apply when the deferred income tax asset or liability is settled. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred income tax assets and liabilities are presented as non-current.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Net loss per share

Net loss per share is calculated by dividing the net loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, stock warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares comprise stock options granted to employees, and warrants.

Share-based payment

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees for some or all of the goods or services received by the Company, and consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted using the Black-Scholes option-pricing model.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus. No expense is recognized for awards that do not ultimately vest.

Segment reporting

The Company has only a single operating segment, and therefore one reportable segment. The single operating segment is the Company's foreign operation in the United States. The Company's non-current assets are principally located in the United States. Non-current assets located at the corporate office in Canada are insignificant in relation to the total.

Provision for Environmental Rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams,

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dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation is attributable when the asset is installed or the environment is disturbed. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related assets.

The periodic unwinding of the discount applied in establishing the net present value of provisions due to the passage of time is recognized in the statement of comprehensive loss as a finance cost. Additional disturbances or changes in rehabilitation estimates attributable to development will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

When a closure and environmental obligation arises at a location where there are no ongoing activities, the costs are expensed as incurred.

Accounting standards issued but not yet applied

IFRS 9, Financial Instruments, was issued in November 2009 and contained requirements for financial assets. This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. This standard is effective for years beginning on or after January 1, 2013. IFRS 9 was subsequently updated to include guidance on financial liabilities and de-recognition of financial instruments. This is also effective for years beginning on/after January 1, 2013.

IFRS 10, Consolidation, was issued in May 2011, and requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It is effective for annual periods beginning on or after January 1, 2013. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The Company is currently assessing the impact on its consolidated financial statements.

IFRS 11, Joint Arrangements, was issued in May 2011 and requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. This standard is effective for annual periods beginning on or after January 1, 2013. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. The Company does not expect this new standard to impact its consolidated financial statements.

IFRS 12, Disclosures of Interests in Other Entities, was issued in May 2011 and establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. This standard is effective for annual periods beginning on or after January 1, 2013. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Company is currently assessing the impact on its consolidated financial statements.

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IFRS 13, Fair Value Measurement, was issued in May 2011 and is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. This standard is effective for annual periods beginning on or after January 1, 2013. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company is currently assessing the impact on its consolidated financial statements.

IAS 27, Separate Financial Statements, was issued in May 2011 and contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. This standard is effective for annual periods beginning on or after January 1, 2013. The Company does not expect this new standard to impact its consolidated financial statements.

IAS 28, Investments in Associates and Joint Ventures, was amended in May 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This standard is effective for annual periods beginning on or after January 1, 2013. The Company does not expect this new standard to impact its consolidated financial statements.

Significant accounting judgments and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The following areas involve a higher degree of judgment or are areas where assumptions and estimates are significant to the consolidated financial statements. Actual results may differ significantly from these estimates included in the consolidated financial statements.

i. Valuation of exploration and evaluation assets and other long lived assets

Mining assets and other long-lived assets are reviewed and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

As at September 30, 2011 the Company determined that there were no indicators of impairment in carrying values of mining properties or any other long lived assets or cash generating units (CGU).

ii. Useful economic life of property, plant and equipment

The cost less the residual value of each item of property, plant and equipment is amortized over its useful economic life. Depreciation is based on a straight line basis as indicated above. Depreciation commences when assets are available for use. The assets' useful lives and methods of amortization are reviewed and adjusted if appropriate at each fiscal year end.

iii. Calculation of share-based compensation expense

The amount expensed for stock-based compensation is based on the application of a recognized option valuation formula, which is highly dependent on the expected volatility of the Company's shares and the expected life of the options. The Company uses an expected volatility rate for its shares based on past stock trading data, adjusted for future expectations, and actual volatility may be significantly different. While the estimate of stock-based compensation can have a material impact on the operating results reported by the Company, it is a non-cash charge and as such has no impact on the Company's cash position or future cash flows.

iv. Income taxes

Income taxes are calculated using the liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Deferred

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income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantially enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized. Deferred tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, including forecasts, it is probable that they will be realized.

4. Transition to IFRS

As stated in note 2, the Company has adopted IFRS effective January 1, 2011. Our transition date is January 1, 2010 (the "transition date") and the Company has prepared its opening balance sheet at that date.

a. Transition elections

IFRS 1 allows exemptions from the application of certain IFRS requirements to assist companies with the transition process. Accordingly, the Company has applied the following choices in respect of the optional exemptions from full retrospective application, as set out in IFRS 1.

i) Share-based payment transaction exemption

The Company has elected to apply the exemption to IFRS 2 Share-based Payments to equity instruments granted on or before November 7, 2002, and to all awards granted after November 7, 2002 and vested before January 1, 2010. In accordance with IFRS 1 transitional provisions, the Company elected to apply IFRS relating to share-based payments retrospectively to outstanding stock options that had not vested prior to January 1, 2010. As such, Canadian GAAP balances relating to the vested stock options prior to January 1, 2010, have been carried forward without adjustment.

ii) Effect of changes in foreign exchange rates

The Company has elected to deem that the cumulative translation differences for all foreign subsidiaries will be zero at the Transition Date as permitted under IFRS 1.

iii) Business combinations

In accordance with IFRS 1 transitional provisions, the Company elected to apply IFRS relating to business combinations prospectively from January 1, 2010. There were no adjustments arising from this election as all acquired assets and liabilities conformed to IFRS.

iv) Fair value or deemed cost

The Company has elected to use fair value as deemed cost for certain of the Company's exploration and evaluation assets that had previously been written off under Canadian GAAP, namely its Brodeur Diamond Property on Baffin Island and its Abitibi Gold Property in Eastern Quebec.

v) Cumulative translation adjustment

The Company has elected to transfer the amounts recorded under accumulated cumulative translation account, to retained earnings as at January 1, 2010.

vi) Financial assets at fair value through profit and loss

Under IFRS 1, an entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or a financial asset as available for sale. The Company's available for sale financial asset has accordingly been designated as fair value through profit and loss (FVTPL).

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b. Reconciliation of equity and comprehensive loss from Canadian GAAP to IFRS

The following is a reconciliation of the Company's equity and comprehensive loss reported in accordance with Canadian GAAP to its equity under IFRS at the transition date January 1, 2010:

	Note	Share Capital	Warrants and Contributed Surplus \$	Accumulated Other Comprehensive Loss \$	Accumulated Deficit \$
<i>As reported under Canadian GAAP:</i>					
CAD	4b) ii	79,303,843	5,924,068	10,929	(51,445,741)
USD (par with CAD)		79,303,843	5,924,068	10,929	(51,445,741)
<i>Deficit:</i>					
Future income tax	4b) ii	-	-	-	2,559,457
AFS securities to FVTPL	4b) iii	-	-	(10,929)	10,929
Exploration and evaluation	4b) ii	-	-	-	(5,709,746)
		-	-	(10,929)	(3,139,360)
<i>As reported under IFRS</i>		79,303,843	5,924,068	-	(54,585,101)

The following is a reconciliation of the Company's equity and comprehensive loss reported in accordance with Canadian GAAP to its equity under IFRS at September 30, 2010:

	Note	Share Capital	Warrants and Contributed Surplus \$	Accumulated Other Comprehensive Loss \$	Accumulated Deficit \$
<i>As reported under Canadian GAAP:</i>					
CAD	4b) ii	84,854,781	8,883,197	12,059	(52,509,582)
USD (par with CAD)		84,854,781	8,883,197	12,059	(52,509,582)
<i>Accumulated other comprehensive loss:</i>					
AFS securities to FVTPL	4b) iii	-	-	(10,929)	10,929
<i>Deficit:</i>					
Future income tax	4b) ii	-	-	-	2,559,457
AFS securities to FVTPL	4b) iii	-	-	(1,130)	1,130
Exploration and evaluation	4b) ii	-	-	-	(5,709,746)
		-	-	(12,059)	(3,138,230)
<i>As reported under IFRS</i>		84,854,781	8,883,197	-	(55,647,812)

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The following is a reconciliation of the Company's equity and comprehensive loss reported in accordance with Canadian GAAP to its total equity under IFRS at December 31, 2010:

	Note	Share Capital	Warrants and Contributed Surplus \$	Accumulated Other Comprehensive Loss \$	Accumulated Deficit \$
<i>As reported under Canadian GAAP:</i>					
CAD	4b) ii	85,015,716	8,653,172	14,322	(53,600,488)
USD (par with CAD)		85,015,716	8,653,172	14,322	(53,600,488)
<i>Accumulated other comprehensive loss:</i>					
AFS securities to FVTPL	4b) iii	-	-	(10,929)	10,929
<i>Deficit :</i>					
Future income tax	4b) ii	-	-	-	2,559,457
AFS securities to FVTPL	4b) iii	-	-	(3,393)	3,393
Exploration and evaluation	4b) ii	-	-	-	(5,709,746)
		-	-	(14,322)	(3,135,967)
<i>As reported under IFRS</i>		85,015,716	8,653,172	-	(56,736,455)

The following is a reconciliation of the Company's net loss and comprehensive loss reported in accordance with Canadian GAAP to its net loss and comprehensive loss under IFRS for the nine months ended September 30, 2010 and the year ended December 31, 2010:

	Note	Three months ended September 30, 2010	Nine months ended September 30, 2010	Year ended December 31, 2010
<i>As reported under Canadian GAAP:</i>				
CAD		393,702	1,063,841	2,154,747
USD (par with CAD)	4b) ii	393,702	1,063,841	2,154,747
<i>Increase (decrease) in net loss for:</i>				
AFS securities to FVTPL	4b) iii	(4,523)	(1,130)	(14,322)
<i>As reported under IFRS</i>		389,179	1,062,711	2,140,425

Explanatory notes

- i) In accordance with IFRS 1 (first time adoption of IFRS) transitional provisions, the Company has elected to reset the cumulative translation account, which includes gains and losses arising from the translation of foreign operations, to zero at the date of transition to IFRS.
- ii) Effective January 1, 2011, the Company changed its presentation currency to the USD. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. Prior to January 1, 2011, the Company presented its annual and interim consolidated financial statements in CAD. In making this change to the presentation currency, the Company followed the guidance in IAS 21, The Effects of Changes in Foreign Exchange Rates, and has applied the change retrospectively as if the new presentation currency had always been the Company's presentation currency. The impact was an exchange loss of \$5,709,746 and a future tax recovery of \$2,559,457 as at January 1, 2010 upon converting from CAD to USD for IFRS purposes.

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- iii) Under IFRS 1, an entity is permitted to designate a previously recognised financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or a financial asset as available for sale. The Company's available for sale financial asset has accordingly been designated as fair value through profit and loss. Therefore, amounts previously recorded as AOCI have been transferred directly to retained earnings for the shareholder's equity reconciliation.
- iv) Under IFRS, the Company is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to estimated forfeitures, if any, is recognized in the income statement, with a corresponding adjustment to equity. The transition from Canadian GAAP to IFRS had no impact to the opening Deficit on the transition date, January 1, 2010.

c. Adjustments to the statement of cash flows
The transition from Canadian GAAP to IFRS had no significant impact on cash flows.

5. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Field and Office Equipment \$	Vehicles and Computers \$	Total \$
<i>At January 1, 2010:</i>				
Cost	-	670,151	542,686	1,212,837
Accumulated depreciation	-	(198,179)	(523,970)	(722,149)
Opening NBV, January 1, 2010	-	471,972	18,716	490,688
<i>Year ended December 31, 2010:</i>				
Opening NBV, January 1, 2010	-	471,972	18,716	490,688
Additions	-	1,000,000	260,475	1,260,475
Disposals	-	-	-	-
Depreciation	-	(169,455)	(234,334)	(403,789)
Exchange differences	-	-	-	-
Closing NBV, December 31, 2010	-	1,302,517	44,857	1,347,374
<i>At January 1, 2011:</i>				
Cost	-	1,670,151	803,161	2,473,312
Accumulated depreciation	-	(367,634)	(758,304)	(1,125,938)
Closing NBV, January 1, 2011	-	1,302,517	44,857	1,347,374
<i>Nine months ended September 30, 2011:</i>				
Opening NBV, January 1, 2011	-	1,302,517	44,857	1,347,374
Additions	860,000	48,871	228,729	1,137,600
Disposals	-	-	-	-
Depreciation	-	(121,251)	(222,779)	(344,030)
Exchange differences	-	-	-	-
Closing NBV, September 30, 2011	860,000	1,230,137	50,807	2,140,944

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<i>At September 30, 2011:</i>				
Cost	860,000	1,719,022	1,031,890	3,613,412
Accumulated depreciation	-	(488,885)	(981,083)	(1,472,468)
Closing NBV, September 30, 2011	860,000	1,230,137	50,807	2,140,944

All depreciation charges in the first nine months of 2011 were capitalized

On April 12, 2011, AGC agreed to purchase a 5.58-acre property in Boise, Idaho, for a purchase price of \$860,000. On August 4, 2011 (the "Closing Date"), AGC completed the purchase by paying \$100,000, issuing 2,066,829 common shares of the Company, and the assuming a \$425,000 7% three-year, promissory note, which is secured by a mortgage on the property.

EXPLORATION AND EVALUATION ASSET

	Exploration and Evaluation Asset \$
<i>At January 1, 2010:</i>	
Cost	30,208,915
Accumulated depreciation	-
Net book value	30,208,915
<i>Year ended December 31, 2010:</i>	
Opening net book value	30,208,915
Additions	4,695,254
Closing net book value	34,904,169
<i>At January 1, 2011:</i>	
Cost – IFRS	34,904,169
Accumulated depreciation	-
Net book value	34,904,169
<i>Nine months ended September 30, 2011:</i>	
Opening net book value	34,904,169
Additions	6,561,141
Closing net book value	41,465,310
<i>At September 30, 2011:</i>	
Cost	41,465,310
Accumulated depreciation	-
Net book value	41,465,310

Atlanta Gold Property, Idaho, U.S.A.

On April 28, 2011, AGC provided notice of exercise of its option to purchase the mining property, which it had previously leased from Monarch Greenback LLC ("Monarch"). On June 8, 2011, AGC completed the purchase for \$3,075,000. To assist in financing the purchase, the Company borrowed \$3 million by way of a secured non-interest bearing loan (the "Loan"). The Loan is due in January 2012, and will be repaid by the proceeds from and replaced by a 5-year 6% secured convertible redeemable debenture (the "Debenture") in the principal amount of C\$3 million, to be issued by the Company to the lender. The Debenture will be convertible at a conversion price of C\$0.10 per share, and will also include detachable warrants to purchase 30,000,000 common shares of the Company, exercisable for five years at a price of

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C\$0.11 per share. The Loan is and the Debenture will be secured by a limited recourse guarantee of AGC and a mortgage on the property purchased from Monarch (the "Property"). Closing of the Debenture financing is expected to occur during the fourth quarter, pending regulatory approval.

In consideration of receiving the Loan, AGC has agreed to grant the lender an option to purchase the Property for \$3 million, exercisable only in the event that the Company repays the Loan other than by means of the Debenture, or if the Loan remains outstanding on January 31, 2012. The lender will also have the option, for a period of five years, commencing after the date the Company completes production of its first 20,000 ounces of gold from Atlanta, to purchase solely from the gold produced from Atlanta, an aggregate of 4,000 ounces of gold at a price of US\$1,400 per ounce.

6. SHARE CAPITAL

(a) Authorized share capital

The Company's authorized capital consists of an unlimited number of common shares, an unlimited number of first preference shares, issuable in series and an unlimited number of second preference shares, issuable in series.

(b) Warrants

The following table summarizes the warrant transactions for the year ended December 31, 2010 and the nine months ended September 30, 2011 as follows:

	Number of Shares	Fair value of Warrants at Date of Issue \$	Weighted Average Exercise Price CAD\$
Outstanding at January 1, 2010	13,483,360	539,658	0.25
Warrants issued on issuance of shares for cash	32,103,600	2,191,418	0.25
Compensation warrants issued on issuance of shares for cash	3,298,288	246,775	0.25
Warrants exercised during the year	(983,360)	(106,500)	0.13
Warrants expired during the year	(8,162,000)	(219,677)	0.25
Outstanding at December 31, 2010	39,739,888	2,651,674	0.25
Warrants issued on issuance of shares for cash (note 7(d))	35,714,276	1,658,000	0.11
Compensation warrants issued on issuance of shares for cash (note 7(d))	1,459,769	54,000	0.11
Warrants expired during the first nine months of 2011	(7,636,288)	(460,256)	0.25
Outstanding at September 30, 2011	69,277,645	3,903,418	0.17

The fair value of warrants issued is separately recorded and disclosed from share capital in the year warrants are issued. Warrants that are exercised will be recorded as share capital and warrants that expire unexercised will be recorded as contributed surplus. During the first nine months of 2011, 7,636,288 warrants issued in 2009 and 2010, and having a fair value at date of grant of \$460,256 expired unexercised. The weighted average exercise price of the warrants issued in the first nine months of 2011 was CAD\$0.11 and the weighted average exercise price of the warrants issued and outstanding on September 30, 2011 was CAD\$0.17. The allocation of gross proceeds between warrants and common shares was done using a pro-rata method based on fair values of common stock and warrants at the date of grant.

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The values of the warrants issued during the first nine months of 2011 and 2010 were estimated on the date of issuance using the Black Scholes option-pricing model with the following assumptions adopted at the measurement date:

	<u>2011</u>	<u>2010</u>
Risk-free interest rate	1.36%	1.60% to 1.72%
Expected life	1 to 2 years	1 to 2 years
Estimated volatility in the market price of the common shares	126%	141% to 178%
Dividend yield	Nil	Nil

(c) Stock options

The Stock Option Plan - 2008 (the "Plan") was adopted by the Board in February 2008 and initially approved by shareholders in April 2008. The Plan replaced the Company's prior stock option plan (the "Prior Plan") and no new options will be granted under the Prior Plan. Options previously granted under the Prior Plan will continue to be outstanding in accordance with their respective terms of grant.

Persons eligible to participate under the Plan are directors, officers and employees of the Company and its subsidiaries, as well as consultants to the Company. Under the Plan, the Company has authorized the reservation for issuance for the grant of stock options of the number of shares equal to 10% of the Company's outstanding common shares at any time. The exercise price of each option must equal or exceed the closing market price of the Company's common shares on the TSX Venture Exchange on the day immediately prior to the day on which the option is granted. The options have a maximum term of five years. The number of shares reserved for issuance pursuant to stock options granted to insiders, whether under the Plan, the Prior Plan or any other compensation arrangement, cannot exceed 10% of the outstanding shares of the Company. The aggregate number of shares reserved for issuance to any one person cannot exceed 5% of the outstanding shares of the Company. If option rights granted to an individual under the Plan expire or terminate for any reason without having been exercised in respect of certain Optioned Shares, such Optioned Shares may be made available for other options to be granted under the Plan. The Plan is administered by the Board of Directors, which has full and final authority, but subject to the express provisions of the Plan and the approval of the TSX Venture Exchange. In accordance with the requirements of the TSX Venture Exchange, the Plan is subject to annual shareholder approval. The following table summarizes the stock option transactions for the nine months ended September 30, 2011 and the year ended December 31, 2010 as follows:

	Number of Shares	Weighted Average Exercise Price CAD\$
Outstanding at January 1, 2010	4,153,334	0.49
Options granted	2,560,000	0.18
Options expired	<u>(26,667)</u>	<u>3.15</u>
Outstanding at December 31, 2010	6,686,667	0.36
Options expired	<u>(243,334)</u>	<u>0.71</u>
Outstanding at September 30, 2011	<u>6,443,333</u>	<u>0.35</u>

6,146,333 of the stock options outstanding as at September 30, 2011, having a weighted average price of CAD\$0.36 per share, and are exercisable immediately. The remaining stock options vest within two years of granting. All stock options expire between November 2011 and September 2015. During 2010, all of the options were granted when their exercise price equaled the fair value of the stock at grant date. The weighted-average remaining contractual life of all stock options outstanding is 32 months (September 30, 2010 – 44 months).

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Expiry Date	Number of Stock Options	Exercise Price CAD\$
November 6, 2011	13,333	1.50
December 11, 2011	10,000	1.35
March 1, 2013	1,405,000	0.63
February 11, 2014	2,125,000	0.32
April 20, 2014	250,000	0.30
April 20, 2014	250,000	0.60
March 23, 2015	1,100,000	0.18
April 21, 2015	130,000	0.23
September 27, 2015	1,160,000	0.18
Outstanding at September 30, 2011	6,443,333	

The fair value of stock options granted are credited to Contributed Surplus in the year they vest. Stock options that are exercised will be recorded as share capital and stock options that expire unexercised will remain in contributed surplus. All options outstanding at September 30, 2011 expire at various dates until September 15, 2015. In the first nine months of 2011, the Company charged a stock-based compensation expense of \$52,788 (2010 - \$248,146), and capitalized \$22,642 (2010 - \$65,990).

The Company did not grant any stock options during the first nine months of 2011. The fair value of each option granted in 2010 was estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions at the measurement date:

	2011	2010
Risk-free interest rate	-	2.37%
Expected life	-	5.0 years
Estimated volatility in the market price of the common shares	-	196%
Dividend yield	-	Nil

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(d) Equity financing

In August 2011, the Company completed a private placement by issuing 35,714,276 common share units for gross proceeds of CAD\$2.5 million, with each unit consisting of one common share of the Company and one common share purchase warrant, exercisable at CAD\$0.11 per share, and expiring up to 24 months from issue date. Share issue costs of CAD\$288,372 for this financing included paying \$102,184 and issuing 1,459,769 compensation warrants in respect of finders' fees. Each compensation warrant is exercisable at a price of CAD\$0.11 per share and expires 12 months from the issue date.

7. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed in this note. The remuneration of key management personnel during the nine months ended September 30, 2011 was \$344,474 (September 30, 2010 - \$263,243). In July 2011, directors of the Company subscribed for 3.36 million units for gross proceeds of \$235,200, representing about 9.4% of the \$2.5 million total gross proceeds.

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8. CONTINGENCY

On April 18, 2011 the Idaho Conservation League and the Northwest Defense Center filed a complaint in the United States District Court for the State of Idaho against AGC alleging violations of the United States Federal Water Pollution Control Act and seeking declaratory and injunctive relief as well as civil penalties. AGC believes that it has complete defense to these allegations and will vigorously defend itself against them.

9. SUBSEQUENT EVENTS

Discussions are continuing with Concept Capital Management Ltd. ("CCM") to finalize documentation in respect of the issuance by the Company of a CAD\$3 million 6% secured convertible debenture and 30 million common share purchase warrants of the Company to CCM. The convertible debenture and warrants will be issued in repayment of the \$3 million bridge loan advanced to the Company by CCM in June 2011. Completion of this financing is subject to the approval of the TSX Venture Exchange.