MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis of financial position and results of operations of Atlanta Gold Inc. (the "Company") and its subsidiaries for the year ended December 31, 2010 has been prepared as of April 26, 2011. The discussion below should be read in conjunction with the audited consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2010. The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in financial tables, except per share amounts, are expressed in thousands of Canadian or U.S. dollars unless otherwise indicated.

CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This document includes "forward-looking information" and "forward-looking statements" (collectively, "forward-looking information"), within the meaning of applicable securities legislation, concerning the Company's business, operations, financial performance, condition and prospects, as well as management's objectives and strategies. Forward-looking information is based on assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors which the Company believes to be relevant and reasonable in the circumstances.

Forward-looking information is frequently identified by the use of words such as "may", "will", "could", "believe", "intend", "expect", "seek", "anticipate", "plan", "continue", "estimate", "predict", "potential" and similar terminology suggesting outcomes or statements regarding an outlook. Forward-looking information is included in the "Outlook" section of this MD&A as well as elsewhere in this document. Specifically, this document contains forward-looking information regarding, among other things, the effects of the Company's mining strategy on gold recovery rates and the environmental impact at its Atlanta project; the interpretation of results received to date from the Company's exploration program, the objectives of planned programs, the timely receipt of requisite permits and the expected enhancement of the gold resource at Atlanta following completion of additional exploration programs; the development of a gold mine and the timing thereof and potential gold production levels at Atlanta; the completion of advanced scoping and pre-feasibility studies on the Atlanta project, the respective timing and parameters thereof, including in respect of production levels and life-of-mine estimates; the Company's funding requirements for 2011, the completion of and use of proceeds from future financings and the adequacy thereof to complete the Company's objectives for 2011; the continuance and enhancement of environmental initiatives and the effectiveness thereof; the outcome of the environmental litigation undertaken against the Company's subsidiary; the continuance of developmental initiatives including securing requisite permits; the impact on the Company of the asset acquisition from and the agreements in principle with Newmont USA Limited; the completion of the acquisition of additional properties and the construction of infrastructure thereon; the time needed prior to commencement of mining and production at Atlanta; and the timely exercise of the option and completion of the purchase of the property from Monarch Greenback LLC.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual events and the Company's actual results to differ materially from those predicted, expressed or implied by the forward-looking information and readers are cautioned not to unduly rely on such forward-looking information and to carefully consider the risks and uncertainties involved with respect to such forward-looking information. Such risks and uncertainties include, but are not limited to, the Company's limited financial resources and its ability to raise sufficient funds on a timely basis to fund the capital and operating expenses necessary to achieve its business objectives and to continue as a going concern; risks associated with the mining industry (including operational risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; uncertainties relating to the interpretation of the geology, continuity, grade and size estimates of the mineral 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, including the risk of an adverse outcome to the complaint against the Company's subsidiary under the Clean Water Act, 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 the additional financings described herein, the expected timelines necessary to complete and the successful completion of the exploration, development, permitting and pre-production activities, the level and volatility of the price of gold, the accuracy of reserve and resource estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which they are based, the ability to achieve capital and operating cost estimates, an outcome favourable to the Company in the environmental litigation and general business and economic conditions. Should one or more risks materialize or should any assumptions prove to be incorrect, then actual results could vary materially from those expressed or implied by the forward-looking information.

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

Information Concerning Estimates of Mineral Resources

The mineral resource estimates reported in this document were prepared in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission ("SEC") applies different standards in order to classify mineralization as a reserve. In particular, while the terms "Measured," "Indicated" and "Inferred" mineral resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, "Inferred" mineral resources have a great amount of uncertainty as to their existence and their economic feasibility. It cannot be assumed that all or any part of an Inferred mineral resource will ever be upgraded to a higher category.

OVERVIEW

The Company's shares currently trade on the TSX Venture Exchange (TSX.V: ATG) and effective, March 2, 2011, also trade on the OTCQX (OTCQX: ATLDF).

The Company is engaged in the exploration and development of the Atlanta Gold project ("Atlanta"), an advanced-stage gold property near Atlanta, Idaho, U.S.A.

In early 2008, the Company changed the mining strategy for Atlanta from bulk mining and cyanide heap leaching, to a combined shallow open-pit and underground operation with an on-site milling facility with no cyanide circuit. This new mining strategy will produce both a gravity concentrate and a precious metal rich sulphide concentrate to be custom smelted. It will significantly reduce the environmental risk, reduce the environmental or surface footprint by 85% and increase expected metal recovery rates from 63% to 90%. Each of these improvements is critical to the sustainable development of the Atlanta Gold Mine.

This more selective method of ore extraction positively addresses environmental concerns identified during previous permitting efforts. Management is confident that by continuing to work closely with environmental groups, the town of Atlanta and surrounding communities, federal, state and local agencies as well as other stakeholders, it will be successful in obtaining the regulatory approvals necessary to develop a combined shallow open pit mine and an underground mine at Atlanta in a timely manner.

The Technical Report and Updated Resource Estimate (the "Technical Report") completed by P&E Mining Consultants Inc. ("P&E") in December 2010 on Atlanta calculated an Indicated resource of 450,600 gold ounces within 3.27 million tons at an average grade of 0.138 ounces per ton ("opt") or 4.73 grams per tonne ("gpt') and an Inferred resource of 284,600 ounces of gold within 1.56 million tons at an average grade of 0.183 opt (6.27 gpt). A cut-off grade of 0.04 opt gold (1.37 gpt Au) was used for the open-pit resource and a cut-off grade of 0.09 opt gold (3.09 gpt Au) was used for the underground resource. The majority of this resource is located between the surface and the 6,200 foot (1,890 metre) elevation which is at a vertical depth of 1,000 feet (305 metres) from the top of Atlanta Hill. Surface expressions of mineralized shear zones in the Atlanta project area cover a horizontal distance of 50,000 feet (15.25 kilometres). The Company's exploration programs have focused exclusively on the Atlanta Shear Zone which has a surface expression that is 11,400 feet (3.5 kilometres) long, 30 to 120 feet (9 to 37 metres) wide and extends from surface to a drill-tested vertical depth of 2,000 feet (610 metres) with numerous splays branching off to the northwest and southeast of the main Shear. The Shear Zone remains open to the east and down dip. The Company is also investigating the surrounding mineralized structures, including the 8,000 foot (2.4 kilometre) north-west trending Tahoma structure which intersects the main Shear, and was the host to historic mining activity. This combination of favourable areas created what management believes is an outstanding value proposition.

The Company continues to hold other lower priority exploration properties including the Abitibi gold property in western Quebec ("Abitibi") and the Jackson Inlet diamond property on the Brodeur peninsula of Baffin Island ("Brodeur"). Details and a discussion of the Abitibi and Brodeur properties are included in the "Capital Expenditures" section below.

HIGHLIGHTS FROM OPERATIONS - 2010

In 2010, the Company achieved the following:

- an Indicated mineral resource estimate of 450,600 gold ounces within 3.27 million tons at an average grade of 0.138 ounces per ton ("opt") (4.73 grams per tonne) ("gpt") and 466,000 gold equivalent ("AuEq") ounces and an Inferred mineral resource of 284,600 gold ounces and 290,000 AuEq ounces within 1.56 million tons at an average grade of 0.183 opt (6.27

gpt). AuEq was calculated using a gold to silver price ratio of 77.6:1 based on a gold price of $1,075.00 and a silver price of $16.61 per ounce with mill recoveries of 90% and 75% respectively, representing a 59% increase over the previously reported March 2009 Measured and Indicated resource of 474,900 AuEq ounces and significantly surpassing the Company's previously stated 2010 year-end goal of 600,000 AuEq ounces. This increase was achieved at a total discovery cost of $34.50 per AuEq ounce, including overheads.

- Confirmed continuity of the Atlanta Shear Zone down to a vertical depth of 2,000 feet (610 metres) and that at a vertical depth of 1,000 feet (305 metres) it appears to split into two mineralized zones which seem to widen at depth.

- Increased drilling productivity from 2009 by 154% to 39,074 feet (11,910 metres) @ $33.67 per foot ($110.25 per metre)

- Surveying, sampling and assaying 2,774 feet (845 metres) of trenches and assaying 611 surface samples to further evaluate the potential of the Atlanta Shear Zone and to identify additional drill targets on veins and splays north and south of the main shear.

- Re-established access to historic 900 adit plus 200 feet (61 metres) of entry

- Relocated and upgraded Pilot Water Treatment Facility #1

- Made a strategic capital investment in buildings and equipment for Boise and Atlanta locations, completing the purchase of assets from Newmont USA Limited in February 2010

- Raised approximately $7.9 million from non-brokered private placements

Definition drilling was conducted in 2010 with infill holes to better define open pit and underground potential by increasing the density of drilling in mineralized zones which increases confidence in, and confirms continuity of, higher grade portions of the resource, and with step-out holes which test areas outside and below previously interpreted limits.

Gold-bearing intercepts from intermediate depth drill holes east of the Newmont Zone (below the Monarch area) combined with the intercepts from such holes west of the Glaspey zone show that the related structures are more extensive than initially expected and have the potential to support higher grade mineralization. The wider and deeper intervals of mineralization in these holes resulted in the Company drilling deeper holes than originally anticipated and the 2010 surface drilling program was modified to reflect the additional footage being drilled.

Assay results from intermediate depth holes indicate gold mineralization between and below the previously known mineralized zones. Significant assays from these holes confirm the potential for higher grade gold mineralization at depth.

Assay results of the core from several holes including those from an un-mined and un-drilled area below the old 900 foot level east of the Newmont zone indicate that alteration of the surrounding host rock is consistent with other gold-bearing intercepts in the main shear, confirming the existence of a significant gold epithermal system.

PLAN OF OPERATIONS FOR 2011

Exploration work to date has demonstrated the presence of a significant gold mineralized system. Every one of the intermediate depth drill holes (to a vertical depth of 1,000 to 2,000 feet (305 to 610 metres) below the surface) has intercepted epithermal style mineralization across attractive widths.

Drilling also has confirmed the presence of a second gold-bearing structure parallel to the main shear. Intermediate depth drilling of the Newmont and Glaspey zones to date confirms that the main shear continues at depth with alteration and gold mineralization within, between and below these respective zones. Both zones warrant further drilling and the 1,300 foot (396 metre) section between the easternmost hole in the Newmont zone (below the Monarch area) and the westernmost hole in the Glaspey zone (below the East Extension area) is very sparsely drilled. Results from Atlanta's recent drilling east of the Newmont zone and west of the Glaspey zone also support the hypothesis that the shear zone splits and increases in width with alteration that continues between the two zones. With the presence of alteration characteristically associated with gold mineralization elsewhere in the Atlanta deposit, management is optimistic that future drilling will continue to intersect gold mineralization. An aggressive exploration program is therefore warranted and planned for 2011.

The Company's exploration objective is to establish continuity of the Atlanta Shear Zone at vertical depths below 2,000 feet (610 metres) while increasing the gold mineral resource at Atlanta by at least 244,000 AuEq ounces from the current 756,000 to over 1.0 million AuEq ounces by the end of 2011 by:

a. drilling the first two deep holes to vertical depths of 3,500 and 4,200 feet (1,068 to 1,281 metres) respectively to test continuity of the Atlanta Shear Zone at depth;

b. increasing the size of the near-surface, shallow open-pit resource which can be mined at a relatively low cost;

c. completing infill drilling to upgrade the resource status of the sparsely-drilled higher-grade (0.35+ ounce per ton) (12.0+ gram per tonne) zones found between the Monarch and Idaho areas in the west and the East Extension area in the east at the 900 to 1,200 foot horizon; and

d. proving confidence in the continuity between these higher-grade zones.

To complete all of its planned expenditures to December 31, 2011, the Company estimates that its total funding requirement will be approximately $13 million. Based on compilation and geological interpretation of the 2010 drilling and trenching data and subject to receipt of required drilling and other permits and completion of additional short-term funding of up to $6 million, the 2011 exploration program will include a minimum of 60,000 feet (18,300 metres) of drilling expected to commence in May 2011, with the mobilization of three drills working seven days per week on 12-hour rotating shifts.

To date, the Company has obtained all required drilling and other permits on a timely basis. Most of the 2011 drill hole collars will be on private land and, based on past experience, the Company anticipates that the U.S. Forest Service (``USFS``) will approve the remaining proposed 2011 drill hole collars to be located on USFS land.

The Company plans to complete a total of 84,350 feet (25,710 metres) of diamond drilling with 94 drill holes in 2011 and 2012 as follows:

- test continuity of the Atlanta Shear Zone below a vertical depth of 2,000 feet (610 metres) by core drilling the first two deep holes to vertical depths of 3,500 and 4,200 feet (1,068 and 1,281 metres) totalling 7,700 feet (2,349 metres);

- define extensions to the higher grade drill intercepts in the Newmont and Glaspey zones by completing 50,390 feet (15,359 metres) of core drilling to an intermediate depth of 2,000 feet (610 metres) on the East Extension, Monarch and Idaho areas. The 1,000 foot (305 metre) distance between these highly prospective zones is underexplored as previous programs focused on shallower, potentially open-pitable mineralization;

- increase the size of the near-surface open-pit Indicated resource of 314,700 AuEq ounces and Inferred Resource of 7,300 AuEq ounces by completing 25,360 feet (7,730 metres) of shallow infill core drilling to a depth of 1,000 feet (305 metres) on the East Extension, West Monarch and Idaho zones to This open-pit resource can be mined at a relatively low cost for the first eight years of mining;

- further evaluate the near surface potential of the Tahoma Shear Zone by surveying, sampling and assaying 1,000 feet (305 metres) of trenches along strike of the northwest trending Tahoma, logging, sampling and assaying 14 drill holes, and sampling and assaying approximately 300 soil samples.(2009 and 2010 trenching programs exposed and identified significant gold-bearing mineralization in 95% of the returned samples); and

- evaluate the economic potential of mining and processing by-products from the Atlanta Shear Zone.

Environmental and development-related initiatives for 2011 include:

- acquire strategic mineral properties;

- redesign, excavate and expand the capacity of the reclamation ponds at the 900 adit to enhance environmental performance;

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

- secure economic, environmental and technical studies and water rights and permits required to advance the project to production;

- evaluate and acquire alternative sites to accommodate infrastructure related to the Atlanta project; and

- reconstruct buildings providing approximately 30,000 square feet of maintenance, warehouse and office space on the site referred to in the “Purchase of a 5.58-Acre Property in Boise, Idaho” section below.

The 2011 exploration program, as well as the Company’s other initatives for 2011, will require that the Company successfully complete additional financings during 2011 of approximately $13 million, which will supplement existing cash on hand. The timing and the extent of drilling, exploration and other planned activities for 2011 are dependent upon the availability of additional funding on a timely basis.

P&E has been retained by the Company to prepare a Pre-Feasibility Study on Atlanta (the “Study”), which is currently expected to be completed in Q2 of 2012. The Study will be based on a pilot-scale mining operation which assumes that the Company will mine only the Measured and Indicated resource identified in the next Technical Report and Updated Resource Estimate which is expected to be completed in Q1 of 2012 following completion of the Company’s 2011 exploration program. The Study will be based on a combined shallow open pit (3 shallow open pits) and underground mining operation expected to produce between 272,000 and 402,000 tons of ore per year, and will envision production and sale of smelter-grade gold and silver concentrate to a smelter in Nevada. In conjunction with the Study, the Company is developing a business plan which contemplates initial annual production estimated to be 40,000 ounces of gold through the use of an 800 to 1,200 ton per day dual circuit gravity-flotation milling operation. The Study will be designed to review and confirm the existing mineral resource estimate, determine preliminary designs, estimate capital and operating costs for a shallow open pit and underground mine with different ore and waste production rates. The Study will include a financial analysis based on reasonable assumptions about each of the foregoing factors and other technical and economic factors. This Study will be the first to apply current economics to a combined shallow open pit and underground mine operation at Atlanta.

To facilitate the transition to a Pre-Feasibility Study, P&E will also complete an independent Advanced Scoping Study in Q2 of 2011 for a combined open pit and underground operation at Atlanta. This Scoping Study will include preliminary mine and plant design, capital and operating cost estimates, metallurgy, environmental studies and permitting in detail.

Based on a minimum production rate of 800 tons of ore per day or 272,000 tons of ore per year, average annual production over the 19-year mine life would be 40,000 gold equivalent ounces contained in 11,000 tons of concentrate. Management estimates that up to 20% of the gold will be recovered from the table concentrate. Subject to receipt of a positive Study, timely receipt of adequate funding and timely receipt of requisite permits, the Company plans to commence mining at Atlanta in 2013 and production of concentrate in 2014. If the Company experiences significant delays in obtaining sufficient funding or the requisite permits, the Company’s timeline for commencement of mining operations and production will be adversely affected.

Environmental Matters

The Company has continued to act in the best interests of the surrounding communities and the environment by continuing to improve the health of the Boise River through treating 2 to 2.5 million gallons of discharge water per month (46 to 58 gallons per minute) through the pilot water treatment facility constructed and operated by AGC near the portal of the 900 adit of the historic Atlanta mine.

In February, 2010 the United States Environmental Protection Agency ("EPA") advised AGC that discharge monitoring reports received from AGC since August 2009 indicated certain effluent limit violations and expressed concern that arsenic and iron concentrations could continue to exceed effluent limitations until additional treatment or other corrective actions are implemented. The EPA conducted an audit of AGC's records in order to evaluate compliance with the United States Clean Water Act.

On April 18, 2011, the Idaho Conservation League ("ICL") and the Northwest Environmental Defense Center ("NEDC"), two environmental interest groups, 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 ("Clean Water Act") and seeking declaratory and injunctive relief as well as civil penalties.

The complaint alleges that AGC is in violation of the effluent limits contained in its National Pollutant Discharge Elimination System permit ("NPDES permit") with respect to waters discharged into Montezuma Creek from property owned by the Bureau of Land Management and administered by the United States Forest Service ("USFS"), from the historic 900 adit portal located at the Atlanta Mine, near Atlanta, Idaho.

ICL previously sued AGC in 2005, alleging that AGC was discharging water into Montezuma Creek without a NPDES permit. Without admitting any liability, AGC and ICL entered into a Consent Decree, wherein AGC agreed to apply for a NPDES permit and to construct a pilot water treatment facility. AGC complied with all terms of the Consent Decree and has continued to use best management practices in operating the pilot water treatment facility in what it believed to be in cooperation with ICL.

Groundwater drains from the historic 900 adit, which was originally driven by companies that previously were in production at the historic mine site, into Montezuma Creek through the pilot water treatment facility constructed by AGC in 2006 as directed by the Consent Decree with ICL. AGC does not own the land on which the historic adit is located, nor does it have any use or right to use the groundwater that is discharged from the historic adit. Notwithstanding that AGC's activities on the property have not caused the groundwater discharge, since 2006, AGC has been treating approximately 2.5 million gallons of groundwater per month utilizing the pilot water treatment facility. That pilot water treatment facility was designed and constructed to meet or exceed applicable effluent standards that were in effect at the time of its installation. The naturally occurring historical levels of arsenic and iron are higher than the corresponding effluent levels contained in the NPDES permit, which are based on drinking water quality criteria.

As part of AGC's continuing efforts to reduce effluent levels, AGC has proposed a draft Plan of Operations to the USFS, subject to USFS approval, for the construction of a diversion pipeline to redirect water believed to be flowing through Montezuma Fault into the historic mine workings and discharging from the historic 900 adit to the existing pilot water treatment facility. AGC also proposed improvements to and expansion of the existing pilot water treatment facility to determine final best management practices for treating arsenic contaminated water in accordance with the applicable NPDES permit. In addition, AGC is proposing closure of the historic 900 adit eliminating the water discharge and reclamation of the pilot water treatment facility area.

ICL and NEDC are not government / permitting agencies but are non-profit environmental groups. In consultation with SPF Water Engineering, LLC, AGC has cooperated and continues to cooperate and consult with the USFS, the United States Environmental Protection Agency, Idaho Department of Environmental Quality and Idaho Department of Water Resources regarding AGC's activities and environmental protection initiatives in Atlanta.

AGC believes that it has complete defences to the allegations made by ICL and NEDC and will vigorously defend itself against their claims. However, there can be no assurance that AGC will be successful in its defence of this action, nor is it currently possible to determine the penalties which could be imposed by the Court should ICL and NEDC receive all relief requested by them. A decision of the Court adverse to AGC could have a material adverse effect on the business and affairs of the Company.

AGREEMENTS WITH NEWMONT USA LIMITED

In December 2009, AGC entered into a definitive agreement with Newmont USA Limited ("Newmont"), a wholly owned subsidiary of Newmont Mining Corporation, to purchase certain fixed assets, including buildings, four 2,200-horsepower natural gas-powered generators, two water treatment plants and other equipment. The transaction was completed on February 1, 2010 and the Company issued 4,535,600 common shares in satisfaction of the purchase price. The fair value of the common shares at the time that the purchase agreement was completed on February 1, 2010, was $770,000. The delivered cost of the buildings and equipment purchased from Newmont was $1,000,000. The acquired assets, which were located at three Newmont sites in Nevada, were dismantled and transported by the Company to a Boise site, with the final shipment completed in September 2010.

In the second quarter of 2009, Newmont also agreed in principle to sell up to an additional US$500,000 in plant, equipment and services to be agreed upon. Newmont also agreed in principle to purchase and process the gold-silver concentrate to be produced from Atlanta on terms to be negotiated. At the pilot-scale Atlanta mill, ore containing gold and silver will be transported from the mine to an on-site concentrator, where it will be finely ground, processed through a gravity concentrator procedure and then treated by successive stages of flotation, resulting in a filter concentrate expected to contain approximately 2 to 3 ounces of gold per ton of flotation concentrate. Expected recoveries are 90% for gold and 75% for using conventional milling, gravity separation and flotation techniques to produce the concentrate. The gold-silver flotation concentrate will be delivered for final treatment to Newmont's concentrate autoclave plant in Nevada which is within a 300-mile return trucking distance from Atlanta, Idaho.

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

PURCHASE OF A 5.58-ACRE PROPERTY IN BOISE, IDAHO

On April 12, 2011, AGC agreed to purchase a 5.58-acre property in Boise, Idaho. The property is located between Highway 84 and South Federal Way, approximately 3.26 miles from Boise Airport and 5.24 miles from downtown Boise. It is currently undeveloped land with excellent highway and railroad access. The site will require infrastructure development, including connecting to city utilities, and water and sewer lines. AGC intends to reconstruct on the site buildings previously purchased from Newmont which will provide approximately 30,000 square feet of maintenance, warehouse and office space. Upon completion, the four buildings will accommodate employees who currently work in leased facilities in the Boise area and new employees who will be providing administrative, geological and technical support.

The purchase price of US$860,000 will be satisfied by a US$100,000 cash payment, a US$425,000 7% three-year promissory note and the issuance of common shares of the Company valued at US$335,000, to the vendor. The purchase is expected to be completed in May 2011, subject to customary conditions and approval of the TSX Venture Exchange.

OWNERSHIP OF ATLANTA PROPERTIES

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 subsequently agreed to transfer its 20% participating interest in the joint venture to AGC, and retain a 2% NSR royalty (the “Royalty”) on Atlanta. In September 2009, the Company purchased one-half of the Royalty (1%) from CAMC by issuing 5.75 million common shares of the Company, which were valued at $1,035,000, and agreeing to pay an additional US$200,000 to CAMC as follows: US$20,000 paid on closing; US$30,000 on October 25, 2009, and US$10,000 monthly payments paid for 15 consecutive months from November 2009 to January 2011. The Company has made all of the foregoing payments and completed the purchase of one half of the Royalty (1%).

The current status of lease / option agreements is summarized below:

1. On February 2, 1999, AGC signed a Lease / Option to Purchase Agreement with Monarch Greenback, LLC (“Monarch”) relating to Monarch’s surface and mineral rights to Atlanta, which agreement was subsequently amended in 1999, 2001 and 2009. AGC initially held a ten-year lease, with an option (the “Option”) to purchase all or a portion of such surface and mineral rights (the “Property”), exercisable until April 30, 2009. Since 2001, the Company has paid minimum rental payments of US$50,000 per year to Monarch. In April 2009, AGC and Monarch agreed to extend the term of the lease and the Option until April 30, 2011. AGC agreed to pay Monarch US$20,000 per month for twenty four months, to April 2011, together with an additional payment of US$50,000, which was made on May 1, 2010. To date, AGC has made all of the required payments. The Option exercise price is US$3,075,000, and notice of exercise of the Option must be provided on or before April 30, 2011. If the Option is exercised, the exercise price is to be paid and the purchase is to be completed within 30 days thereafter. AGC intends to provide notice to exercise the Option prior to the expiry thereof. Upon exercise of the Option, the existing minimum annual rental payments on such surface and mineral rights will be terminated and replaced by a variable net smelter return royalty (“NSR”), varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding US$665

per ounce. As at December 31, 2010, advance royalty payments of US$1,500,000 had been made and will be deducted from future royalty payments to Monarch.

2. The Hill & Davis patented mining claim was purchased in December 2010 upon the payment, pursuant to an amended lease-purchase option agreement with Born, Johns and Rhees, of the final option payment of US$30,975 (US$29,500 plus accrued simple interest of $1,475 @ 5% per year).

3. AGC leases 31 unpatented lode claims pursuant to a lease agreement, as amended, with F. Gardner. The lease expires on April 18, 2016. Lease payments are currently US$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 US$20,000. If this property is mined, F. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at December 31, 2010, advance royalty payments of US$168,500 have been made and will be deducted from any future royalty payments to F. Gardner.

4. AGC leases 9 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease expires November 14, 2012 and is renewable year to year thereafter at an amount to be negotiated. Annual lease payments of US$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 US$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, 2010, advance royalty payments of US$282,500 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 Property. Advance royalty payments to lessors are credited against future royalties payable on production. As at December 31, 2010, advance royalty payments totalling US$1,951,000 will be deducted from any future royalty payments to lessors / royalty holders. Lease payments made in 2010 and advance royalty payments as at December 31, 2010 are summarized in the table below.

Lessor / Royalty Holder	**Property**	**Payments in 2010 US$**	**Advance Royalty Payments as at December 31, 2010 US$**
Monarch Greenback, LLC	Monarch Greenback	$290,000	$1,500,000
Born, John and Rhees (1)	Hill & Davis	29,500	-
Frank C. Gardner (2)	Gardner	10,000	168,500
Hollenbeck Properties LLC (3)	Minerva	10,000	282,500
TOTAL		$339,500	$1,951,000

Notes:

(1) Royalty obligation was extinguished upon purchase of this property in December 2010.

(2) US$10,000 annual lease payment due May 1st for the Gardner claims (lease currently runs to 2016) – credited towards royalty payments.

(3) US$10,000 annual lease payment due November 15th on the Hollenbeck claims currently runs to 2012 and renewable thereafter) – credited towards royalty payments

OVERVIEW OF FINANCIAL RESULTS

Equity Financing

In April 2010, the Company raised gross proceeds of $2,387,000 by completing a non-brokered private placement of 14,916,000 common share units at $0.16 per unit, with each unit consisting of one common share and one warrant. Each warrant is exercisable for up to 24 months at a price of $0.25 per share but the Company may accelerate the expiry date if the closing price of the Company's shares on the TSX Venture Exchange exceeds $0.50 for 20 consecutive days on which the shares trade. Insiders of the Company purchased 825,000 units, which represented approximately 5.5% of the total offering. Share issue costs included paying cash finders' fees of $151,000 and issuing 942,488 compensation warrants, exercisable at $0.25 per share for 12 months.

In August and September 2010, the Company raised an additional $5.5 million, by completing non-brokered private placements of 34,375,000 units at $0.16 per unit, with each unit consisting of one common share and one-half of one warrant. Each whole warrant is exercisable for up to 24 months on the same terms as the warrants issued in April 2010. Insiders of the Company purchased 1,565,000 units, which represented approximately 4.6% of the total offering. Share issue costs included paying cash finders' fees of $377,000 and issuing 2,355,800 compensation warrants, exercisable for 12 months at $0.25 per share.

Share issue costs incurred during fiscal 2010 were $988,000, which included $19,000 incurred in respect of issuing 4,535,600 shares to Newmont Mining Corp.

By comparison, in the first quarter of 2009, the Company raised gross proceeds of $867,600 (net of share issue costs of $32,000) by completing a non-brokered private placement of 8,676,000 common share units at $0.10 per unit, with each unit consisting of one common share of the Company and one half of one common share purchase warrant. During the fourth quarter of 2009, the Company completed an equity financing at a price of $0.12 per share for gross proceeds of $3,450,000 (net of share issue costs of $190,000). Insiders of the Company purchased a total of 9,133,333 common shares, which represented approximately 31.8% of the total offering. Share issue costs included paying a cash finder's fee of $118,000 and issuing 983,360 compensation warrants, exercisable at a price of $0.13 per share for up to 12 months from date of issue. Share issue costs incurred during fiscal 2009 were $332,000. The Company's success in raising additional funds in 2010 as compared to 2009 reflected somewhat improved financial markets and further progress achieved at Atlanta.

All 983,360 compensation warrants issued in 2009 were exercised in 2010 for gross proceeds of $128,000.

Proceeds from the placement are being used to provide short-term funding for permitting, exploration and development expenditures at Atlanta, and for general working capital purposes. Management believes that this financing, together with the timely completion of additional equity or debt financing in 2011, will enable it to substantially achieve its objectives for 2011 and remain on track for commencement of mining at Atlanta in 2013 and production of concentrate in 2014.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents as at December 31, 2010 were $2,780,000 compared to $1,407,000 as at December 31, 2009. The increase of $1,373,000 from that at the end of the prior year primarily reflects the completion of the equity financings in September 2010. Working capital was $2,662,000 as at December 31, 2010, which compares favorably to working capital of $1,400,000 as at December 31, 2009.

The slower-than expected recovery in the United States continued to adversely impact the Company's share price and impacted its fund-raising ability. The Company experienced delays in obtaining the requisite financing in 2010, which somewhat delayed the commencement of certain programs in 2010. Management has also determined it to be prudent to continue an emphasis on enhancing the resource at Atlanta, while continuing to advance development. Mining is expected to commence in 2013 with production of concentrate in 2014.

The Company has budgeted $13 million for its planned exploration and development programs and for working capital in 2011. The Company is planning to raise up to $6 million by means of an equity financing to be completed during the second quarter of 2011, with proceeds to be used for the Monarch property acquisition and for working capital.

OPERATING CASH FLOW

Cash flow used in operations before changes in non-cash working capital items for the year ended December 31, 2010 was $1,309,000 compared to $1,199,000 used during the prior year ended December 31, 2009. The slight increase in use from the prior year is due to higher non-cash items, such as stock-based compensation and mineral property write-offs, incurred in the prior year. Non-cash working capital for the year resulted in a cash inflow of $114,000, compared to an outflow of $369,000 for the same period in 2009, since net payables were repaid in 2009 and allowed to age for a longer time during 2010.

FINANCING AND INVESTING ACTIVITIES

Cash inflows from equity financing activities (net of transaction costs) for the year ended December 31, 2010 were $7,044,000 compared to $4,092,000 in 2009. Cash outflows for investing activities for the year ended December 31, 2010 of $4,476,000 (2009 - $1,536,000), were exclusively incurred for expenditures on Atlanta (2009 - $1,459,000), representing an increase of $2,940,000 from similar expenditures incurred in 2009, reflecting the steady growth in expenditures taken in 2010, after a cautious approach to incurring expenditures in 2009, until an additional financing was completed in November 2009.

EQUITY

As at December 31, 2010, the Company had (a) 144,858,934 common shares issued and outstanding (December 31, 2009 – 90,048,874); (b) stock options outstanding to purchase 6,686,667 common shares (December 31, 2009 – 4,153,334) at exercise prices ranging from $0.18 to $2.85 per share and expiring between February 2011 and September 2015; and (c) Warrants to purchase 39,739,888 (December 31, 2009 - 13,483,360) common shares of the Company at an exercise price of $0.25 per share, expiring between February 2011 and September 2012. As noted under "Overview of Financial

Results- Equity Financing", in certain instances, the expiry dates of 32,103,500 of the Warrants may be accelerated by the Company. Shareholders' equity as at December 31, 2010 was $40,083,000 compared to $33,793,000 as at December 31, 2009. Stock options outstanding as at December 31, 2010 had a weighted-average exercise price of $0.36 per share (December 31, 2009 - $0.49 per share) and a weighted average life of 41 months (December 31, 2009 – 45 months).

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses of $1,473,000 declined during the year ended December 31, 2010 by $198,000 from that incurred during the prior year reflecting reduced expenses incurred for stock-based compensation, professional fees, head office administration, and interest expense. This reduction was partially offset by: a) a $66,000 increase in salaries and management fees, due to re-instating amounts previously frozen in 2009; and b) a $62,000 increase in year over year investor relation fees as the Company retained an additional firm to provide investor relations services to the Company.

A $17,000 gain was realized from foreign exchange transactions during the year ended December 31, 2010, compared to a loss of $28,000 incurred during the year ended December 31, 2009, reflecting a continued strengthening of the Canadian dollar, relative to the U.S. dollar. The Company's financings are denominated in Canadian dollars. Since the Company's principal mineral exploration and development activities are currently being conducted in the United States, most of its capital and operating costs are denominated in U.S. dollars. Consequently, a higher Canadian dollar against the U.S. dollar effectively results in lower costs to the Company. As at December 31, 2009, the Bank of Canada reported that the exchange rate to convert one U.S. dollar into one Canadian dollar was US$1.00 = C$1.0466, and as at December 31, 2010, the exchange rate was US$1.00 = C$1.0003, reflecting a 4.4% increase for the Canadian dollar against the U.S. dollar during 2010. The Company is exposed to foreign exchange risk. The Company does not currently use derivative instruments to reduce its exposure to such risk.

CAPITAL EXPENDITURES

Atlanta gold property, Idaho, USA:

Expenditures of $4,695,000 in 2010 and $2,819,000 in 2009 were incurred primarily in respect to: (a) surface drilling and trenching to increase the existing mineral resource at Atlanta, and assessing its underground potential; (b) securing the portal at the historic 900 Adit and rehabilitating the first 200 feet of the Adit; (c) securing water rights for Atlanta; (d) monitoring baseline water quality data in the project area, (e) continuing to expand the historic adit water treatment program and (f) establishing a baseline and grid system and excavating and sampling trenches down to the C Zone and securing permits required to proceed with work on site.

Abitibi gold property, Quebec, Canada:

In Q3 of 2010, the Company's option to acquire a 60% interest in the Mouskor and Normar claim portions of the Abitibi property previously owned by Breakwater Resources, was exercised at no cost to the Company upon Niogold Mining Corp. ("Niogold") completing $1.2 million in exploration expenditures on the Malartic portion of the Abitibi property. The Company also retains a 2% NSR in the Malartic claim. Niogold and the Company have renewed and kept all of the Abitibi claims in good standing until at least November 2012.

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

The Abitibi properties are located in the prolific Malartic and Val-d'Or gold mining camps which are in close proximity to the full-service mining towns of Val-d'Or and Malartic with access to gold milling facilities, provincial highway, railroad, power line, telecommunication systems and an experienced labour force.

Brodeur diamond property, Baffin Island, Canada

Brodeur consists of 52 mineral claims located on the Brodeur Peninsula of Baffin Island covering approximately 126,900 acres (513.5 square kilometres). Consistent with management's previous decision to primarily focus the Company's financial resources on the development of Atlanta, the Company did not incur any exploration expenditures on Brodeur since 2007, but did maintain claims over the most prospective kimberlite drill targets and known diamondiferous kimberlite. The Company continues to hold a total of 51.1 carats of diamonds which were recovered at the Freighttrain kimberlite in 2001 and 2002 from 12 samples weighing a total of 248.4 tonnes, and wrote off the remaining book value in 2007. In December 2008, the Company terminated the agreement with Helix Resources Inc., thereby surrendering its rights to ten mineral claims, including Freighttrain. In December, 2010, the Company has accrued an estimated $150,000 in respect of restoration costs expected to be incurred between June and September 2011, in connection with a report prepared in November 2010 by Indian and Northern Affairs Canada ("INAC"), following a site inspection undertaken by INAC officials in July 2010.

Contingencies and Commitments

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

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

	Years 1-2	**Years 3-4**	**Beyond Year 4**
Head office	12	-	-
Atlanta *(1)(2)(3)*	667	137	137

1. *Pursuant to an amending agreement dated April 30, 2009 with Monarch Greenback, LLC, AGC renewed its Mining Lease and Option to purchase a 658.9-acre property adjacent to the Atlanta project for a further two years until April 30, 2011. Under the terms of the agreement, AGC has the right to acquire a 100% interest in some or all of the property subject to a floating rate net smelter return royalty with a maximum rate of 3.5%. The agreement requires optional annual and optional monthly payments totaling US$580,000 over a two-year period to maintain the Option in good standing. In 2009 and 2010, the Company paid US$500,000 of this amount, and a further US$60,000 in the first quarter of 2011. As at December 31, 2010, the Company will be credited with advance royalty payments of US$1,500,000, which will be deducted from future royalty payments to Monarch Greenback, LLC.*
2. *Pursuant to an agreement signed on September 23, 2009 with CAMC, the Company purchased a 1% net smelter return (NSR) royalty in exchange for 5.75 million common shares of the Company plus a payment of US$200,000. The final $10,000 monthly installment was paid in January 2011.*
3. *Pursuant to a lease agreement dated July 20, 2004 with Greene Tree, Inc., AGC leased a 20.55 acre property with water rights in the Atlanta area. The agreement requires lease payments of US$4,887.50 per month until June 30, 2014. Under the terms of the agreement, AGC has a right of first refusal should Greene Tree elect to sell the property.*

Contingencies and commitments are described in Note 4(a) to the Company's audited consolidated financial statements for the year ended December 31, 2010. Details and a discussion of the environmental litigation are included in the "Environmental Matters" section above and Subsequent Event note 13 to the Company's audited financial statements for the year ended December 31, 2010.

SELECTED ANNUAL INFORMATION

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

The following tables set forth selected financial data prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for each of the three most recently completed financial years.

	2010	**2009**	**2008**
Total Revenues	Nil	Nil	Nil
Loss before discontinued operations and extraordinary items	2,155	1,460	1,435
Loss per share	0.02	0.02	0.05
Net loss (i)	2,155	1,460	1,435
Net loss per share	0.02	0.02	0.05
Total assets (ii)	44,978	37,962	34,408
Total long-term financial liabilities	Nil	Nil	Nil
Cash dividends per share	Nil	Nil	Nil

(i) The net loss incurred in 2010 as compared to 2008 and 2009 was primarily due to larger future tax expense of $535,000 in 2010 compared to recoveries of $640,000 and $358,000 in 2008 and 2009 respectively.

(ii) Total assets increased by $7,016,000 to $44,978,000 at December 31, 2010 from $37,962,000 at December 31, 2009 primarily due to proceeds of approximately $7.0 million from the issuance of equity securities during the year. Total assets increased by $3,554,000 to $37,962,000 at December 31, 2009 from $34,408,000 at December 31, 2008 primarily due to the proceeds from issuance of equity securities, which were partially offset by the net loss, mineral property expenditures and purchases of equipment for the year.

Operations

	For the year ended December 31,	
	2010	**2009**
Interest income	(3)	(5)
General and administrative expenses		
Salaries and management fees	387	321
Stock-based compensation	317	493
Professional fees	429	466
Investor relations	247	185
Travel	23	13
Interest	1	15
Gain (loss) on foreign exchange transactions	(17)	28
Administrative and office	82	143
Amortization	4	7
	1,473	1,671
Mineral property costs and impairments	160	152
Future income tax provision	525	(358)
	2,158	1,465
Net loss for the year	2,155	1,460
Other comprehensive income for the year	(3)	(11)

Cash Flow

	For the year ended December 31,	
	2010	**2009**
Operating activities	(1,195)	(1,568)
Financing activities	7,044	4,092
Investing activities	(4,476)	(1,535)
Increase in cash	1,373	989

Liquidity and Capital Resources

	As at December 31,	
	2010	**2009**
Cash and cash equivalents	2,780	1,407
Current assets	3,017	1,553
Current liabilities	(355)	(153)
Working capital (iii)	2,662	1,400

(iii) Working capital 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 GAAP and therefore may not be comparable to similar measures presented by other issuers. However, management believes that it is a useful measure in assessing the Company's liquidity.

Fourth Quarter

Summarized consolidated statements of operations for the fourth quarter of 2010 and 2009 are presented below:

	For the three months ended December 31,	
	2010	**2009**
Interest (income)	(2)	(3)
General and administrative expenses		
Salaries and management fees	124	56
Stock-based compensation	69	38
Professional fees	175	84
Investor relations	83	88
Interest	1	15
Foreign exchange loss	(28)	26
Administrative and office	(14)	2
Amortization	1	1
	411	310
Mineral property costs and impairments	152	14
Future income tax provision (recovery)	525	(422)
Total Expenses	1,088	(98)
Loss (income) for the period	1,091	(101)

Head office expense of $407,000 incurred during the fourth quarter of 2010 was higher than the $310,000 incurred during the same period in 2009, primarily due to: a) the restoration of salaries to prior levels and higher professional fees, arising from the recently completed financing, and expenses incurred to prepare for implementation of IFRS accounting policies to take effect in 2011; and b) an increase in stock-based compensation, arising from stock options granted in September 2010. These increases were partially offset by a decrease in interest expense and a reversal of Part Xll.6 tax accrued since 2008. As the Canadian dollar continued to strengthen relative to the U.S. dollar during the last quarter of 2010, the Company realized a foreign exchange gain during the fourth quarter of 2010 of $28,000.

Summarized consolidated statements of cash flow for the fourth quarter of 2010 and 2009 are presented below:

	For the three months ended December 31,	
	2010	2009
CASH FROM (USED FOR):		
Operating activities		
Earnings (loss) for the period	(1,082)	101
Add (deduct) items not involving cash:		
Amortization	1	1
Future income tax provision	525	(422)
Stock-based compensation expense	69	38
Increase (decrease) in non-cash working capital	266	(377)
	(221)	(659)
Financing activities		
Issuance of common shares, net of share issue costs	(120)	3,255
Liability to issue common shares	-	(750)
	(120)	2,505
Investing activities		
Mineral property expenditures	(775)	(407)
Property plant and equipment	(319)	(65)
	(1.094)	(472)
Increase (decrease) in cash and cash equivalents	(1,435)	1,374

Summary of Quarterly Results

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

Quarter ended	Total Revenues *(4)*	General and Administrative Expenses	Net Loss (Income) (3)	Loss (Income) Per Share
December 31, 2010	-	407	1,082*(1)(2)*	0.01
September 30, 2010	-	392	394*(1)(2)*	0.00
June 30, 2010	-	362	364 *(1)(2)*	0.01
March 31, 2010	-	308	306 *(1)(2)*	0.00
December 31, 2009	-	310	(101)*(1)(2)*	(0.01)
September 30, 2009	-	331	478*(1)(2)*	0.01
June 30, 2009	-	388	376 *(1)(2)*	0.01
March 31, 2009	-	642	707 *(1)(2)*	0.01

1. *Includes: (a) mineral property costs written off or expensed as follows: $152 during the fourth quarter of 2010; $2 during the third quarter of 2010, $3 during the second quarter of 2010, $3 during the first quarter of 2010, $14 during the fourth quarter of 2009, $133 during the third quarter of 2009, $3 during the second quarter of 2009, and $2 during the first quarter of 2009; and (b) future income tax provisions (recoveries) taken as follows: $525 during the fourth quarter of 2010; ($422) during the fourth quarter of 2009, and $65 during the first quarter of 2009.*

2. *Includes stock based compensation expense charged as follows: $69 during the fourth quarter of 2010, $126 during the third quarter of 2010; $56 during the second quarter of 2010, $66 during the first quarter of 2010, $38 during the fourth quarter of 2009, $49 during the third quarter of 2009, $80 during the second quarter of 2009, $325 during first quarter of 2009 and $38 during the fourth quarter of 2008.*
3. *The Company has not incurred any losses arising from discontinued operations or extraordinary items in the last eight quarters.*
4. *Since the Company is a development-stage company, it does not generate any revenue.*

The Company presently operates in two countries, Canada and the United States. The Company has an interest in three mineral properties. Two are gold properties and one is a diamond property**.** The Company's activities since early 2008 have focused on Atlanta, an advanced stage gold property.

The Atlanta property is accessible by highway and county-maintained roads. To date, the Company has conducted exploration on a seasonal (May to November) basis. However, as Atlanta advances toward the production stage and permanent camp and other facilities are constructed, the Company will conduct exploration, development, mining and milling activities on a year-round basis.

The Company assesses, on a regular basis, whether any impairment has occurred in the carrying value of its mineral properties. If such impairment has occurred, a write-down is charged in the period that the impairment took place. In 2007, the Company wrote off the carrying value of all of its projects, except for Atlanta. In 2009, the Company elected to allow its interest in certain mineral claims located in the Rocky Bar area of Idaho to lapse, resulting in a write-off of $144,000.

Outlook

Atlanta Gold Property

Over the past five years, gold has been unique as a commodity which has consistently increased in value year over year. In the current period of economic recession, as governments worldwide utilize deficit financing to provide economic stimulus, there is a consensus building that the price of gold will continue to increase over the long term. Major gold mining companies are having difficulty maintaining / replacing their resources / reserves. This is expected not only to have a positive upward pressure on the gold price, but also on the value of existing measured and indicated resources not currently in production. Fundamentals for silver also remain very strong which adds to the Company's value given the quantity of silver together with the gold mineralization at Atlanta.

As the Company continues to make progress building its resource base (at a low discovery cost per ounce), and the associated environmental and economic framework at Atlanta, it expects that industry interest in this project will continue to develop. Support for this view may be found in the completion of the asset acquisition from and additional agreements in principle with Newmont USA. The worldwide economic downturn has significantly increased the availability of new and used equipment and skilled personnel. By investing now to acquire necessary infrastructure on favourable terms, the Company will reduce future capital and operating expenses at Atlanta and further advance the Atlanta Project.

Management expects that the job creation potential for projects such as Atlanta, which embrace the highest standards of environmental and social responsibility, will be recognized by the various governmental regulatory agencies. The recent legal action filed against AGC by two environmental interest groups is disappointing given AGC's ongoing efforts to improve the quality of water entering

Montezuma Creek, notwithstanding that AGC neither caused the discharge of the water nor contaminated the discharge. AGC will continue to cooperate with the various state and federal environmental agencies. While management believes that AGC has meritorious defences to the action, defence of the action as well as a decision in favour of the plaintiffs, could result in significant costs being incurred by AGC.

The Atlanta project is important because it has a growing Indicated and Inferred resource and significant potential for additional gold deposits that will provide substantial long-term economic and environmental benefits to the town of Atlanta, the surrounding communities and the State of Idaho, as well as to the Company and its shareholders.

The Company remains on track to commence mining at Atlanta in late 2013 and produce concentrates in 2014.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

As at December 31, 2010, current liabilities included $11,000 which is owing to directors, officers and employees of the Company. By comparison, as at December 31, 2009, current liabilities included $29,000 which is owing to directors, officers and employees of the Company. As part of the equity financing completed during 2010, various directors and officers of the Company purchased 2,390,000 common share units on the same terms as the other subscribers to the financing.

Outstanding Share Information

As at April 26, 2011, the Company had 148,858,934 common shares outstanding, incentive stock options outstanding to purchase 6,673,333 common shares at prices ranging from $0.18 to $1.80 per share for terms ending between June 2011 and September 2015, warrants outstanding to purchase 39,739,888 common shares at a price of to $0.25 per share, exercisable between February 2011 and September 2012.

International Financial Reporting Standards

In January 2006, the CICA's Accounting Standards Board formally adopted the strategy of replacing Canadian GAAP with International Financial Reporting Standards ("IFRS") for Canadian enterprises with public accountability. The Company will commence financial reporting under IFRS for accounting periods commencing on or after January 1, 2011 with appropriate comparative data from the preceding year.

Consequently, the Company will continue to present its results for the years ended December 31, 2009 and 2010 using contemporary Canadian GAAP. In 2011, the Company will be required to restate for comparative purposes amounts reported for 2010 using Canadian GAAP to reflect contemporary IFRS.

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

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

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

In January 2011, the Company has approved a new set of IFRS-based significant accounting policies, after evaluating those financial statement areas impacted by IFRS, and accounting and disclosure differences between Canadian GAAP and IFRS. The Company continues to invest in training and resources throughout the transition period.

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

(i) Property, plant and equipment

Under CGAAP, property, plant, and equipment ("PPE") are recorded at cost and include office furniture, fixtures, equipment and computer hardware and software. The office furniture, fixtures, and equipment are amortized over ten years and vehicles, computer hardware and software are depreciated over three years. All PPE are depreciated on a straight-line basis. These depreciation policies are not expected to change under IFRS. The Company performs regular reviews of the carrying values of PPE. To the extent that impairment conditions exist, carrying values are written down to their fair value. On transition to IFRS, the use of either carrying value or the fair value is permitted.

(ii) Mineral properties

Under CGAAP, direct exploration and development costs are deferred in the accounts, net of amounts recovered from third parties, including option payments received. At production, these costs 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. All other costs relating to lease/option, rental fees, annual renewal fees, property acquisition and exploration expenditures are deferred until production commences. If or when impairment conditions are identified, reviews of exploration properties and properties under development are conducted including an assessment of drilling and exploration results, and revenues. The carrying values, which are impaired, are written down to fair value. Under IFRS, the deferred costs previously charged to the Atlanta property will be carefully reviewed to determine whether or not it is appropriate to write-down any of those expenditures in determining the initial carrying costs under IFRS. Under IFRS, exploration expenditures are expensed before legal rights to explore an area of interest have been obtained.

(iii) Translation of foreign currencies

Under CGAAP, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at exchange rates in a manner that produces substantially the same reporting amounts that would have resulted had the underlying transactions been translated on the dates they occurred. Exchange gains or losses arising on translation are included in income or loss for the year. Under IFRS, a company is required to use foreign exchange rates as at balance sheet date for all assets and liabilities. The Company deems it prudent to consider changing the Company's reporting currency to United States dollars, particularly since the principal assets are located in the United States. Such a change would have a minimum impact on the Company's financial statements with respect to foreign currency translation.

(iv) Stock options

Under CGAAP, the Company accounts for stock-based compensation based on the fair value method of accounting. Under this method, the fair value of stock-based compensation is determined based on the Black-Scholes valuation model and is recognized based on the vesting of options granted under the stock option plan. Amounts recognized are credited to Contributed Surplus. Consideration paid on the exercise of stock options is credited to Capital Stock. Under IFRS, the Company requires the addition of a forfeiture rate when calculating stock-based compensation. The applicable forfeiture rate to be applied must be re-evaluated at the time of each grant.

Critical accounting estimates

Going Concern

The consolidated annual financial statements of the Company for the years ended December 31, 2010 and 2009 were prepared in accordance with GAAP applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities and meet its future obligations in the normal course of business. Accordingly, these annual consolidated financial statements do not include any adjustments for the recoverability and reclassification of recorded assets, or the amounts or classification of liabilities, that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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

As at December 31, 2010, the Company's current assets exceeded its current liabilities by $2,662,000. The Company recorded a net loss of $2,155,000 for the year ended December 31, 2010 and reported an accumulated deficit of $53,600,000 as at that date.

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

Uncertainties and Risk Factors
The Company does not currently hold any interest in a mining property in production and its future success depends upon its ability to find, develop, exploit and generate revenue from mineral deposits. Exploration and development of mineral deposits involve significant financial risks, which even a combination of careful evaluation, experience and knowledge may not eliminate and there can be no assurance that any of the Company's current projects will ultimately be developed into a profitable mining operation. A number of factors beyond the control of the Company may affect the marketability of any gold or any other minerals discovered. Resource prices have fluctuated widely and are beyond the Company's control. Revenue and profitability will be determined by the relationship of the Company's production costs and the recovered grade of gold, to resource prices. The effect of these factors cannot accurately be predicted. The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements.

Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties with the possible dilution or loss of such interests. The operations of the Company require licenses and permits from various governmental authorities and while the Company currently holds all necessary licenses and permits required to carry on its activities and believes it is complying with such licenses, permits and all applicable laws and regulations, such licenses, permits and laws are subject to change and there can be no assurance that the Company will in future be able to obtain all necessary licenses and permits. The Company's subsidiary is currently, and the Company and its subsidiary may in the future be, subject to legal action taken by environmental groups which if upheld, could result in potentially significant penalties and costs being incurred by the Company and delays in obtaining or inability to obtain requisite permits and licenses. Furthermore, the cost of complying with changes in governmental laws and regulations has the potential to reduce the profitability of future operations.

The acquisition of title to mineral projects is a very detailed and time-consuming process and although the Company has taken precautions to ensure that legal title and interest to its properties are properly recorded, there can be no assurance that the interests of the Company in any of its properties may not be challenged or impugned.

In management's view, there has been no material change in the nature or magnitude of any of the risks faced by the Company during the fourth quarter of 2010.

Additional Information
Additional information relating to the Company is available on SEDAR at www.sedar.com.

April 26, 2011.

Management's Report on the Consolidated Financial Statements

The accompanying consolidated financial statements of Atlanta Gold Inc. have been prepared by and are the responsibility of the Company's management. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and contain estimates based on management's judgement. Management maintains a system of internal controls adequate to provide reasonable assurance that transactions are authorized, assets are safeguarded and records are maintained.

The Audit Committee comprises three independent directors and meets with management and the Company's auditors, PricewaterhouseCoopers LLP, to review the consolidated financial statements before they are presented to the Board of Directors for approval. PricewaterhouseCoopers LLP have examined these consolidated financial statements and their report follows.

"Bill Baird"

William J. C. Baird
President and
Chief Executive Officer

"Domenico Bertucci"

Domenico Bertucci, CA
Chief Financial Officer (Acting)

April 26, 2011

April 26, 2011

Independent Auditor's Report

To the Shareholders of
Atlanta Gold Inc.

We have audited the accompanying consolidated financial statements of Atlanta Gold Inc., which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atlanta Gold Inc. as at December 31, 2010 and 2009 and its results of operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 which describes the matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Atlanta Gold Inc.'s ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario

ATLANTA GOLD INC.
(a development stage company)

CONSOLIDATED BALANCE SHEETS
As at December 31, 2010 and 2009

(in Canadian dollars)	**2010**	**2009**
	$	**$**
ASSETS		
Current assets		
Cash and cash equivalents	2,779,772	1,406,916
Marketable securities	28,644	25,251
Recoverable taxes	102,937	38,624
Prepaid expenses	105,670	82,260
	3,017,023	1,553,051
Mineral properties *(note 4)*	40,613,915	35,918,661
Property, plant and equipment *(note 5)*	1,347,374	490,688
	44,978,312	***37,962,400***
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	354,839	153,341
Future income taxes *(note 7)*	4,540,751	4,015,960
	4,895,590	4,169,301
SHAREHOLDERS' EQUITY		
Capital stock	85,015,716	79,303,843
Warrants *(note 6(b))*	2,651,674	539,658
Contributed surplus *(notes 6(b) and (c))*	6,001,498	5,384,410
Accumulated other comprehensive income	14,322	10,929
Accumulated deficit	(53,600,488)	(51,445,741)
	40,082,722	33,793,099
	44,978,312	***37,962,400***

Nature of operations and going concern (note 1)
Commitments (note 4(a))
Subsequent Event (note 13)

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

Approved by the Board

"Jim Gray"

James K. Gray
Director

"Warren Holmes"

W. Warren Holmes
Director

ATLANTA GOLD INC.

(a development stage company)

CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

For the years ended December 31, 2010 and 2009

(in Canadian dollars)	***Cumulative, since inception (March 6, 1985 to December 31, 2010)***	**2010**	**2009**
	$	$	$
Interest and other income	***1,924,403***	3,436	4,760
General and administrative expenses			
Salaries and management fees *(note 8)*	***7,637,402***	386,836	321,027
Stock-based compensation *(note 6(c))*	***2,437,867***	317,081	493,309
Professional fees	***5,404,277***	428,505	465,583
Investor relations	***2,573,523***	247,164	185,166
Travel	***864,058***	23,233	12,687
Interest	***345,617***	1,475	15,352
(Gain) loss from foreign currency translation	***144,105***	(16,502)	27,594
Administrative and office	***4,384,585***	81,401	142,999
Amortization	***170,867***	3,904	6,931
	23,962,301	1,473,097	1,670,648
Mineral property costs and impairments	***30,056,012***	160,295	152,033
Future income tax provision (recovery) *(note 7)*	***1,506,578***	524,791	(357,637)
	55,524,891	2,158,183	1,465,044
Net loss for the year	***53,600,488***	2,154,747	1,460,284
Accumulated deficit, beginning of year	***-***	51,445,741	49,985,457
Accumulated deficit, end of year	***53,600,488***	***53,600,488***	***51,445,741***
Weighted average number of consolidated shares outstanding		114,681,346	60,114,235
Net loss per share - basic and diluted		0.02	0.02

Net loss for the year	***53,600,488***	2,154,747	1,460,284
Other comprehensive income:			
Unrealized gains on available-for-sale marketable securities	***(14,322)***	(3,393)	(10,929)
Comprehensive net loss for the year	***53,586,166***	***2,151,354***	***1,449,355***

Nature of operations and going concern (note 1)

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

ATLANTA GOLD INC.

(a development stage company)

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31 2010 and 2009

(in Canadian dollars)	***Cumulative, since inception (March 6, 1985 to December 31, 2010)***	**2010**	**2009**
	$	$	$
Operating activities			
Net loss for the year	***(53,600,488)***	(2,154,747)	(1,460,284)
Add (deduct) items not involving cash:			
Mineral property costs and impairments	***29,682,669***	-	118,772
Amortization	***170,867***	3,904	6,931
Future income tax expense (recovery)	***1,506,578***	524,791	(357,637)
Stock-based compensation expense	***2,437,867***	317,081	493,309
Net change in non-cash working capital	***117,588***	113,775	(369,121)
	(19,684,919)	(1,195,196)	(1,568,030)
Financing activities			
Issuance of common shares:			
net of issue costs (note 6(d))	***78,878,858***	7,043,566	4,092,361
Issuance of flow-through shares:			
net of issue costs (note 6(d))	***12,853,631***	-	-
	91,732,489	7,043,566	4,092,361
Investing activities			
Mineral property expenditures	***(67,558,098)***	(3,984,064)	(1,458,980)
Property, plant and equipment	***(1,709,700)***	(491,450)	(76,532)
	(69,267,798)	(4,475,514)	(1,535,512)
Increase in cash and cash equivalents	***2,779,772***	1,372,856	988,819
Cash and cash equivalents, beginning of year	***-***	1,406,916	418,097
Cash and cash equivalents, end of year	***2,779,772***	***2,779,772***	***1,406,916***

	2010	2009
Cash and cash equivalents:		
Non-interest bearing chequing account	*1,777,946*	*85,296*
Interest bearing savings account	*1,001,826*	*1,321,620*
	2,779,772	*1,406,916*
Net change in non-cash working capital items		
Marketable securities	*-*	*(25,251)*
Receivables	*(64,313)*	*(2,969)*
Prepaid expenses	*(23,410)*	*4,711*
Accounts payable and accrued liabilities	*201,498*	*(345,612)*
	113,775	*(369,121)*
Significant non-cash financing and investing activities		
Capitalized stock-based compensation	*80,330*	*97,828*
Capitalized amortization	*400,859*	*205,711*
Shares issued (notes 4 (a) and 6(d))	*750,538*	*1,035,000*
Income taxes paid	*-*	*-*
Total interest paid	*1,475*	*11,805*

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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.

To date, the Company has not earned significant revenues and is not considered to be in operation.

Recoverability of exploration and development expenditures is dependent upon the further development of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, 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.

As at December 31, 2010, the Company's current assets exceeded its current liabilities by $2,662,184, and reported a loss of $2,154,747 for the year ended December 31, 2010, and an accumulated deficit of $53,600,488 at that date. These circumstances can raise significant doubt about its 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 plans to complete additional private placement equity financings in the second quarter of 2011, 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements include the accounts of Atlanta Gold Inc. and its wholly owned subsidiary Atlanta Gold Corporation ("AGC"). The financial statements of entities which are controlled by the Company either directly or indirectly are consolidated. Control is established by the Company's ability to determine strategic, operating, investing and financing policies without the co-operation of others. 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.

(b) Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles (Canadian GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amount of expenses during the period. Actual results could differ from those reported.

Significant estimates include assessing the fair value of stock based compensation and warrants, a provision (recovery) for future income taxes, determination of useful lives of property, plant and equipment, the carrying value of mineral properties, future cash flows from assets, and proven and probable reserves. In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented are reflected in these financial statements.

(c) Cash and cash equivalents

Cash and cash equivalents include investments to maturity of less than 90 days at purchase.

(d) Valuations of investments at fair value

Portfolio investments are reported at fair market value. Market value investments in publicly traded securities are determined based on the period end final bid prices reported on recognized securities exchanges and over-the-counter markets. Portfolio investments, classified as available-for-sale, are revalued to market each reporting period and the resulting gain or loss is recorded as an adjustment to Other Comprehensive Income ("OCI").

Where there has been a loss in value of a portfolio investment that is determined to be other than a temporary decline, the investment is written down to recognize the loss. The recognition of an other than temporary impairment results in a charge to the statement of earnings.

The average cost basis is used to determine the gain or loss on sales of portfolio investments. Gains and losses realized on sales are recorded in the statement of earnings in the period in which they occur.

The related fair market value adjustments that were previously recorded in OCI are reclassified to the statement of earnings when a portfolio investment is sold or permanently written down.

(e) Property, plant and equipment

Property, plant, and equipment are recorded at cost and include office furniture, fixtures, equipment and computer hardware and software. The office furniture, fixtures, and equipment are amortized over ten years and vehicles, computer hardware and software are depreciated over three years. All property, plant, and equipment are depreciated on a straight-line basis. The Company performs regular reviews of the carrying values of property, plant and equipment. To the extent that impairment conditions exist, carrying values are written down to their fair value.

(f) Mineral properties

Direct exploration and development costs are deferred in the accounts, net of amounts recovered from third parties, including option payments received. At production, these costs 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 are deferred in the accounts. Costs relating to annual renewal fees are expensed in the year incurred.

The Company is in the process of exploring and developing its properties. The Company reviews the carrying values of deferred mineral property acquisition and exploration expenditures 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 properties and properties under development are conducted including an assessment of drilling and exploration results, and revenues. The carrying values, which are impaired, are written down to fair value.

(g) Earnings per share

Basic earnings per share is computed by dividing the earnings (loss) for the year by the weighted-average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a manner similar to basic earnings per share, except the weighted-average shares outstanding are increased to include potential common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

(h) Translation of foreign currencies
The accounts of the operations in the United States have been translated using the temporal method for foreign integrated operations. Under the temporal method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities, which primarily comprise mineral properties and property, plant and equipment, are translated using historic rates of exchange. Expenses and other income are translated at the average rates of exchange during the period. Foreign currency exchange gains and losses are included in the statement of operations.

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at exchange rates in a manner that produces substantially the same reporting amounts that would have resulted had the underlying transactions been translated on the dates they occurred. Exchange gains or losses arising on translation are included in income or loss for the year.

(i) Financial Instruments
Section 3855 – "Financial Instruments – Recognition and Measurement" prescribes when a financial asset, financial liability, or non-financial derivative should be recognized on the balance sheet as well as its measurement amount. This section also specifies how financial instruments' gains and losses are to be presented. The carrying amounts of cash and cash equivalents, accounts payable and accrued liabilities approximate the fair values of those financial instruments due to the short-term maturity of such instruments. The Company places its cash with high credit quality financial institutions.

(j) Stock options
The Company has two stock option plans as described in Note 6(c). The Company accounts for stock-based compensation based on the fair value method of accounting. Under this method, the fair value of stock-based compensation is determined based on the Black-Scholes valuation model and is recognized based on the vesting of options granted under the stock option plan. Amounts recognized are credited to Contributed Surplus. Consideration paid on the exercise of stock options is credited to Capital Stock.

(k) Income taxes
The provision for future income tax assets and liabilities is based on the liability method. Future income taxes arise from the recognition of the tax consequences of temporary differences by applying substantively enacted tax rates likely to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The Company records a future income tax asset when it believes that it is, more likely than not, to be realized.

(l) Asset retirement obligations
The Company records asset retirement obligations at fair value in the period in which the liability is incurred. Fair value is determined based on the estimated future cash flows required to settle the liability discounted at the Company's credit adjusted risk free interest rate. The liability is adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted over time to its full value. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and amortized over the expected useful life of the asset.

(m) Fair value of financial instruments
Financial assets and financial liabilities are recognized initially at fair value. After initial recognition, in accordance with CICA Handbook section 3855 – Financial Instruments – Recognition and Measurement, the Company measures its financial assets and financial liabilities depending on the following classifications.

- Held-to-maturity financial assets are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to net earnings in the period in which they arise.
- Held-for-trading financial instruments are carried at fair value with changes in fair value charged or credited to the statement of operations in the period in which they arise.

- Loans and receivables are initially recognized at their fair values, and subsequently measured at amortized cost using the effective interest rate method. Impairment losses are charged to net earnings in the period in which they arise.
- Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income. Impairment losses relating to other than temporary impairments are charged to net earnings in the period in which they arise.
- Other financial liabilities are initially measured at fair value and are subsequently measured at amortized cost using the effective interest rate method.
- All derivative financial instruments meeting certain recognition criteria are carried at fair value with changes in fair value charged or credited to income or expense in the period in which they arise.

The following is a summary of the accounting model the Company has elected to apply to each category of financial instruments outstanding as at December 31, 2010:

Cash and cash equivalents	Loans and receivables
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to (from) related parties	Other financial liabilities
Marketable securities	Available-for-sale

As of December 31, 2010, both the carrying value and fair value amounts of the Company's significant financial instruments are approximately equivalent, other than for marketable securities.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures ("Section 3862"), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2010:

Financial assets at fair value as at December 31, 2010

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	-	$2,779,772	-	$2,779,772
Equity instruments (a)	28,644	-	-	28,644
	$28,644	**$2,779,772**	**-**	**$2,808,416**

(a) The Level 1 financial assets relate to shares in Niogold Mining Corp.

3. ACCOUNTING CHANGES AND RECENT PRONOUNCEMENTS

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that Canadian public entities will have to adopt IFRS effective for the fiscal years beginning on or after January 1, 2011. The Company will issue consolidated financial statements in accordance with IFRS commencing the first quarter ending March 31, 2011, with comparative information. The process will be ongoing as new standards and recommendations are issued by the International Accounting Standards Board and AcSB.

The Company will cease to prepare its consolidated financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook - Accounting ("Canadian GAAP") for the periods beginning on January 1, 2011 when it will start to apply International Financial Reporting Standards as published by the International Accounting Standards Board. Consequently, future accounting changes to Canadian GAAP are not discussed in these consolidated financial statements as they will not be applied by the Company.

4. MINERAL PROPERTIES

(in Canadian dollars)	***Cumulative, Since inception (March 6, 1985) to December 31, 2010***	**2010**	**2009**
	$	$	$
Atlanta Gold Property *(note 4(a))*			
Balance, beginning of year	***-***	35,918,661	33,100,045
Drilling, assays and related field work	***31,431,471***	3,655,509	963,837
Project administration and general	***4,707,779***	580,245	524,167
Property acquisition and holding costs	***4,474,665***	459,500	1,330,612
Total changes during the year	***40,613,915***	4,695,254	2,818,616
Balance, end of year	***40,613,915***	40,613,915	35,918,661
Rocky Bar Gold Property *(note 4(b))*			
Balance, beginning of year	***-***	-	144,023
Drilling, assays and related field work	***26,143***	-	-
Project administration and general	***117,880***	-	-
Property costs written off	***(144,023)***	-	(144,023)
Total changes during the year	-	-	(144,023)
Balance, end of year	***-***	-	-
Total Mineral Properties	***40,613,915***	40,613,915	35,918,661

(a) Atlanta Gold Property, Idaho, U.S.A.

On July 22, 1997, the Company and Canadian American Mining Company, LLC (“CAMC”) (formerly Quest International Resources Corporation) (“Quest”), entered into a joint venture agreement (the “Quest Agreement”) whereby the Company became the operator of Atlanta with an 80% interest, with Quest holding the remaining 20% participating interest. CAMC subsequently agreed to transfer its 20% participating interest in the joint venture to the Company, and retain a 2% Net Smelter Royalty (the “Royalty”) on Atlanta, as per the Quest Agreement. In September 2009, the Company acquired half of the Royalty back from CAMC by issuing 5.75 million common shares of the Company, which were valued at $1,035,000, and agreeing to pay US$200,000 to CAMC as follows: US$20,000 paid on closing; US$30,000 paid on October 25, 2009, and US$10,000 monthly payments paid for 15 consecutive months from November 2009 to January 2011.

On February 2, 1999, the Company signed a Lease/Option to Purchase Agreement (the “Monarch Agreement”) with Monarch Greenback, LLC (“Monarch”) relating to Monarch’s surface and mineral rights to Atlanta, which agreement was subsequently amended in 1999, 2001 and 2009. The Company held an initial ten-year lease, with an option to purchase all or a portion of such surface and mineral rights for US$2,875,000, exercisable until April 30, 2009. Since 2001, the Company paid Monarch US$50,000 per year in minimum annual rental payments. In April 2009, the Company and Monarch agreed to extend the term of the Option until April 30, 2011. The Company agreed to pay Monarch US$20,000 per month for twenty-four months, to April 2011. A further payment of US$50,000 was paid on May 1, 2010. The Option, if exercised on or before April 30, 2011, will be at an exercise price of US$3,075,000. The Company has an additional 30 days after April 30, 2011 to pay the exercise price. If the Option is exercised, the existing minimum annual rental payments on such surface and mineral rights will be terminated and replaced by a variable net smelter royalty, with the rate dependent on the prevailing price of gold. The royalty rate varies from a minimum of 0.5% to a maximum of 3.5% for gold prices above $665 an ounce. During the year, the Company paid US$290,000 in aggregate to Monarch. Certain of the payments made by the Company will be credited against future royalty payments. As at December 31, 2010, advance royalty payments of US$1,500,000 will be deducted from future royalty payments to Monarch Greenback, LLC.

Annual advance royalties are payable to certain lessors and an annual rental payment is payable to another lessor as set forth below. These payments are required to keep the agreements in good standing. During the year ended December 31, 2010, the Company paid US$50,975 (2009 -

US$268,225) in annual rental and advance royalty payments to the lessors, including accrued interest of $1,475. At December 31, 2010, certain of the advance royalty and rental payments totaling $2,154,500, including $1,500,000 advanced to Monarch, will be credited against future royalties on production from Atlanta.

(b) Rocky Bar Gold Property, Idaho, U.S.A.:
In 2008, the Company staked various contiguous lode unpatented claims in the Rocky Bar mining district ("Rocky Bar"), which is located southwest of Atlanta, to expand the Company's regional property interests in Idaho. In 2008, the Company incurred expenditures of $144,023 on Rocky Bar. In 2009, the Company determined to allow the claims to lapse, and wrote off the carrying value of Rocky Bar. The resulting impairment was included in Mineral property costs and impairments.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost ($)	Accumulated Amortization ($)	2010 Net ($)
Office furniture and equipment	158,329	158,329	-
Buildings and field equipment	2,314,983	967,609	1,347,374
	2,473,312	1,125,938	1,347,374

	Cost ($)	Accumulated Amortization ($)	2009 Net ($)
Office furniture and equipment	158,329	155,401	2,928
Buildings and field equipment	1,053,534	565,774	487,760
	1,211,863	721,175	490,688

6. CAPITAL STOCK

(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 summarizes warrants that have been granted, exercised or expired for the two years ended December 31, 2010:

	Number of Shares	FMV of Warrants at Date of Issue $	Weighted Average Exercise Price $
Outstanding, December 31, 2008	8,162,000	219,677	0.25
Warrants issued on issuance of shares for cash (note 6(d))	4,338,000	213,481	0.25
Compensation warrants issued on issuance of shares for cash (note 6(d))	983,360	106,500	0.13
Outstanding, December 31, 2009	13,483,360	539,658	0.25
Warrants issued on issuance of shares for cash (note 6(d))	32,103,600	2,191,418	0.25
Compensation warrants issued on issuance of shares for cash (note 6(d))	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, December 31, 2010	39,739,888	2,651,674	0.25

The fair market 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 2010, 983,360 compensation warrants issued in 2008 and having a fair value at date of grant of $106,500 were exercised, and another 8,162,000 warrants issued in 2008 and having a fair value at date of grant of

$219,677 expired unexercised. The weighted average grant date fair value of the warrants issued in 2010 was $0.15, and the weighted average grant date fair value of the compensation warrants issued in 2010 was $0.08. 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. The values of the warrants issued during in 2010 and 2009 were estimated on the date of issuance using the Black Scholes option-pricing model with the following assumptions adopted at the measurement date:

	2010	2009
Risk-free interest rate	1.60% to 1.72%	1.36%
Expected life	1 to 2 years	2.0 years
Estimated volatility in the market price of the common shares	141% to 178%	126.6%
Dividend yield	Nil	Nil

(c) Stock options

The Company has two stock option plans under which options to purchase common shares of the Company are outstanding. The Stock Option Plan - 2008 (the "Plan") was adopted by the Board in February 2008 and 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 summarizes the stock options that have been granted, exercised, cancelled, or expired during the two years ended December 31, 2010 (Options granted prior to February 2008 were granted under the Prior Plan and all other options granted were granted under the Plan):

	Number of Shares	Weighted Average Exercise Price $
Outstanding, December 31, 2008	2,016,668	0.74
Options granted	2,850,000	0.34
Options cancelled	(700,000)	0.53
Options expired	(13,334)	4.28
Outstanding, December 31, 2009	4,153,334	0.49
Options granted	2,560,000	0.18
Options expired	(26,667)	3.15
Outstanding, December 31, 2010	6,686,667	0.36

5,093,167 of the stock options outstanding as at December 31, 2010, having a weighted average price of $0.39 per share, are exercisable immediately. The balance of the stock options vest within two years of granting. All stock options expire between February 2011 and September 2015. During

2009 and 2010, all of the options were granted when their exercise price equaled the fair value of the stock at grant date. The weighted-average grant date fair value of options granted in 2010 was $0.17 (2009 - $0.24). The weighted-average remaining contractual life of all stock options outstanding is 41 months.

Expiry date	Number of Stock Options	Exercise Price $
February 13, 2011	13,334	2.85
June 28, 2011	10,000	1.80
September 28, 2011	50,000	1.65
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	200,000	0.23
September 27, 2015	1,260,000	0.18
	6,686,667	0.36

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 December 31, 2010 expire at various dates until September 27, 2015. During fiscal 2010, the Company granted a total of 2,560,000 stock options. 764,000 options vested immediately upon granting; 348,000 stock options will vest one year after granting, another 348,000 stock options will vest two years after granting, and 25% of 1,100,000 stock options granted to a consultant vests quarterly starting in June 2010. In 2010, the Company recognized a stock-based compensation expense of $317,081 (2009 - $493,309) and capitalized $80,330 (2009 – $97,828).

The weighted average exercise price at the date of grant for stock options granted during the current year was $0.18 per share. The fair value of each option was estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions at the measurement date:

	2010	2009
Risk-free interest rate	2.47%	2.37%
Expected life	5.0 years	5.0 years
Estimated volatility in the market price of the common shares	189%	196%
Dividend yield	Nil	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) Capital Stock Offering

In 2009, the Company issued 37,425,998 common shares for gross proceeds of $4,317,600 summarized as follows:

Date	Securities Issued	Description of Securities	Price	Gross Proceeds
February 6, 2009	8,676,000	Common shares units	0.10	867,600
November 10, 2009	22,130,998	Common shares	0.12	2,655,720
November 23, 2009	6,619,000	Common shares	0.12	794,280

The private placement completed on February 6, 2009 consisted of common share units ("Units"). Each Unit consisted of one common share of the Company and one half of one share purchase warrant, with each full warrant exercisable at $0.25 per share for up to 24 months. The private placement completed on November 10, 2009 included 9,133,333 common shares issued to directors and other insiders of the Company. Total share issue costs incurred in 2009 were $331,793, which included paying $118,003 in cash finders' fees, and incurring $106,500 from issuing 983,360 compensation warrants, exercisable at $0.13 per common share of the Company for one year (note 6(b)).

On September 23, 2009, 5,750,000 common shares were issued to Canadian American Mining Company LLC ("CAMC")(as fully stated in 4(a) above).

In 2010, the Company issued 54,810,060 common shares for gross proceeds of $9,014,413 summarized as follows:

Date	Securities Issued	Description of Securities	Price	Gross Proceeds
February 1, 2010	4,535,600	Common shares	0.22	US$1,000,000
April 20, 2010	14,916,100	Common shares units	0.16	2,386,576
August 31, 2010 to September 27, 2010	34,375,000	Common shares units	0.16	5,500,000
April 20, 2010 to November 26, 2010	983,360	Common shares	0.13	127,837

On February 1, 2010, the Company issued 4,535,600 common shares to Newmont USA Limited upon completion of the purchase by AGC, to acquire certain buildings and equipment from Newmont. The common shares value of US$1,000,000 was agreed to when the parties entered into the agreement in December 2009. The fair value of the common shares at the time that the purchase agreement was completed on February 1, 2010, was $750,538, net of share issue costs of $19,462.

The private placement completed in April, 2010 consisted of 14,916,100 common share units for gross proceeds of $2,386,576. Each unit consisted of one common share of the Company and one share purchase warrant, with each warrant exercisable at $0.25 per share for up to 24 months. The private placements completed in August and September, 2010 consisted of 34,375,000 common share units for gross proceeds of $5,500,000. Each unit consisted of one common share of the Company and one half of one share purchase warrant, with each full warrant exercisable at $0.25 per share for up to 24 months. In respect of both of these private placements, the Company can accelerate the expiry date of the warrants, if the market value of its common shares exceeds $0.50 for twenty consecutive trading days. Directors of the Company subscribed for 825,000 common share units issued in April and 1,565,000 common share units issued in August and September. Total share issue costs incurred during 2010 were $987,622, and included $527,726 in cash finders' fees and incurring $246,775 from issuing 3,298,288 compensation warrants, exercisable at $0.25 per common share of the Company for one year (note 6(b)).

(e) Shareholder Rights Plan

In November 2000, the Board of Directors adopted a Shareholder Rights Plan (the "Plan"), the terms of which are set forth in a Shareholder Rights Plan Agreement dated as of November 17, 2000 between the Company and Equity Transfer Services Inc. The Plan was approved by the shareholders at the annual meeting held on March 15, 2001. The Plan will expire upon completion of the 2011 annual meeting of shareholders, unless terminated earlier by the Board of Directors.

7. INCOME TAXES

The Company has non-capital tax losses of approximately $11,586,000 expiring between 2011 and 2030 which are available to reduce future Canadian taxable income. These losses expire as follows:

2011	1,643,000
2015	1,222,000
2026	2,193,000
2027	1,602,000
2028	2,017,000
2029	1,493,000
2030	1,416,000
	11,586,000

The Company has operating losses of approximately US$2,611,000 expiring between 2011 and 2030, which are available to reduce future United States taxable income. The Company has not paid any income taxes during the last three taxation years.

The income taxes shown in the consolidated statement of earnings differ from amounts calculated by applying the statutory rates to earnings before provisions for income taxes due to the following:

	Year ended December 31,	
	2010	2009
Loss before future income tax (recovery)	(1,629,956)	(1,817,921)
Income taxes at Canadian statutory rates – 31% (2009– 33%)	(505,286)	(599,914)
Permanent differences	132,411	163,073
Share issue costs	(90,529)	(98,171)
Rate differential and adjustment to temporary differences	1,294,548	-
Other	(306,354)	177,375
TOTAL	524,791	(357,637)
Comprising of:		
Future income taxes (recovery) – Canada	-	-
U.S.A	524,791	(357,637)

Summary of future income tax liability:

	As at December 31,	
	2010	2009
Mineral properties	1,128,336	1,125,762
Non capital losses carried forward	3,939,322	4,073,789
Capital losses carried forward	586,315	586,315
Share issue costs	207,757	117,229
Other	270,496	251,474
	6,132,226	6,154,569
Valuation allowance	(5,048,774)	(5,266,472)
	1,083,453	888,097
Future tax liability	(5,624,204)	(4,904,057)
Net future tax liability	(4,540,751)	(4,015,960)

During the current year, the Company recorded a valuation allowance in the amount of $5,048,774 (2009 - $5,266,472) in respect of its Canadian mineral properties and losses carried forward.

8. RELATED PARTY TRANSACTIONS

At December 31, 2010, accounts payable and accrued liabilities include $10,678 (2009 - $25,709) owing to various directors, officers, and employees of the Company. Additionally, 2,390,000 shares were subscribed for in the private placements completed in 2010 by various directors and officers of the Company. All transactions with related parties are in the normal course of business and are measured at the exchange amounts.

9. SEGMENTED INFORMATION

The Company currently operates in Canada and the United States. Corporate administrative activities are conducted from Canada. The income and expenses for the two years ended December 31, 2010, and the assets of those years identifiable to those segments are as follows:

	Canada	USA	Consolidated
December 31, 2010			
Interest and other income	$ 3,436	$ -	$ 3,436
Stock based compensation	317,081	80,330	397,411
Income (loss) and comprehensive			
Income (loss) for the year	2,153,272	1,475	2,154,747
Identifiable assets	2,884,284	42,134,028	44,978,312
Expenditures for additions to:			
Mineral properties	-	3,984,064	3,984,064
Property, plant and equipment	-	1,261,450	1,261,450
December 31, 2009			
Interest and other income	$ 4,760	$ -	$ 4,760
Stock based compensation	493,309	97,828	591,137
Loss and comprehensive			
loss for the year	(1,312,713)	(147,571)	(1,460,284)
Identifiable assets	1,554,780	36,407,620	37,962,400
Expenditures for additions to:			
Mineral properties	-	2,818,616	2,818,616
Property, plant and equipment	-	76,532	76,532

10. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain the confidence of shareholders and investors in the implementation of its business plans by: (i) maintaining sufficient levels of liquidity to fund and support its exploration and development stage properties and other corporate activities, and (ii) maintaining a strong balance sheet, to ensure ready access to debt and equity markets, to facilitate the development of major projects. Management monitors the Company's financial position on an ongoing basis.

Since the Company is in the development stage and does not have any third party long term debt, all of the Company's capital comes from the issuance of equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The acquisition, exploration, financing and development of natural resources require the expenditure of significant funds before production commences. Historically, the Company has financed these activities through the issuance of common shares, the exercise of options and common share purchase warrants, promissory notes and extended terms from creditors. The Company has not declared or paid any dividends and does not foresee the declaration or payment of dividends in the near future. Any decision to pay dividends on its shares will be made by the board of directors on the basis of the Company's future earnings, financial requirements and other conditions existing at such future time.

Management reviews its capital management approach on an ongoing basis and believes this approach, given the Company's size, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2010. Neither the Company nor its subsidiary, are subject to any externally-imposed capital requirements.

11. FINANCIAL INSTRUMENT RISK FACTORS

A summary of the Company's risk exposures as they relate to financial instruments is provided below.

Credit Risk

The Company's credit risk is primarily attributable to its cash and cash equivalents. This risk is minimized as its cash and cash equivalents have been placed with a reputable financial institution. Concentration of credit risk exists as a significant amount is held at one financial institution, however management believes the risk of loss to be remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure it will have sufficient liquidity to meet obligations when due. As at December 31, 2010, the Company had a cash balance of $2,779,772 (2009 - $1,406,916) to settle current liabilities of $354,839 (2009 - $153,341). $150,000 of the current liabilities is due in the latter half of 2011, and the majority of the balance is due within 60 days and are subject to normal trade terms. The Company has various commitments, as detailed in Note 4.

Market Risk

Market risk is the risk of material loss that may arise from changes in market factors including foreign exchange and the price of gold.

i) *Foreign currency risk*

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. The rate published by the Bank of Canada at the close of December 31, 2010 was 1.0003 Canadian dollars to one U.S. dollar. Based on past gains and losses arising from foreign exchange transactions, future gains and losses are not expected to have a major impact on the Company's future earnings or losses.

ii) *Commodity prices risk*

Since the Company is not expected to be in production until 2012, currently there is no risk arising from changes in the price of gold and silver. At that time, prices of gold and silver are expected to be major factors influencing the Company's business, results of operations, financial condition, cash flow from operations, exploration, mining and development activities and trading price for its common shares. Gold and silver prices may fluctuate widely and are affected by numerous factors beyond the Company's control.

iii) *Interest rate risk*

The Company has a cash balance currently deposited in a major Canadian and American bank, and has no long term debt. At this point, the Company's exposure to interest rate risk is minimal.

Sensitivity analysis

As of December 31, 2010, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent, other than for marketable securities. The Company believes the following movements are reasonably possible over a twelve-month period:

(a) There would be little impact on the cash and cash equivalents held as the Company does not earn any significant interest on them.

(b) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

12. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the presentation adopted in 2010.

13. SUBSEQUENT EVENT

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 defences to the allegations and intends to vigorously defend itself against the claims.