

Atlanta Gold Inc.

Interim Management Discussion and Analysis

Quarterly Highlights

For the Three Months ended March 31, 2016 and 2015

Introduction

The following interim Management Discussion & Analysis Quarterly Highlights (“**MD&A**”) of Atlanta Gold Inc. (the “**Company**”) and its subsidiaries has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last management discussion & analysis, being the Management Discussion & Analysis for the fiscal year ended December 31, 2015 (“**Annual MD&A**”). This MD&A does not provide a general update to the Annual MD&A, or reflect any non-material events since the date of the Annual MD&A.

This MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the Annual MD&A, the audited annual consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 and the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 and 2015, together with the notes thereto. All amounts are expressed in U.S. dollars unless otherwise indicated. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at May 27, 2016 unless otherwise indicated.

The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016, have been prepared using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information with reference to all relevant circumstances. Material information may consist of a fact or a change in the business, operations or capital of the Company that would reasonably be expected to have, a significant effect on the market price or value of the Company's securities. Put another way, information will be considered material if a reasonable investor would likely consider it important in making an investment decision.

Further information about the Company and its operations is available on the Company's website at www.atgoldinc.com or on SEDAR at www.sedar.com

Cautionary Statement on Forward-Looking Information

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

Forward-looking information is frequently identified by the use of words such as “may”, “will”, “could”, “believe”, “intend”, “expect”, “seek”, “anticipate”, “plan”, “continue”, “estimate”, “predict”, “potential” and similar terminology suggesting outcomes or statements regarding an outlook. Forward-looking information is included in the “Overview of Performance and 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 economic and environmental benefits arising from, and the effectiveness of modifications to be made to, the gold extraction process being tested by the Company; the commencement of test processing of the bulk sample from the Neal Property and the timing and outcome thereof; the completion at the Atlanta Project and the Neal Property of additional bulk samples; the completion of future financings by the Company and by Neal Development LP and the timing thereof; the continuance and enhancement of environmental initiatives, including the implementation of the Supplemental Plan of Operations; the completion of the reclamation program at the Brodeur diamond property; the continued effectiveness of the passive water treatment system; the continuance of developmental initiatives including securing requisite permits; and the successful development by HydroClean of the water treatment technology. In addition, statements relating to mineral resources are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions that the mineral resources described can be profitably produced in the future.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual events and the Company’s actual results to differ materially from those predicted, expressed or implied by the forward-looking information and readers are cautioned not to unduly rely on such forward-looking information and to carefully consider the risks and uncertainties involved with respect to such forward-looking information. Such risks and uncertainties include, but are not limited to, the Company’s limited financial resources and its ability to raise sufficient funds on a timely basis to fund the capital and operating expenses, to fund its debt repayment obligations, to fund its environmental penalty payment obligations, to fully implement the Supplemental Plan of Operations, to achieve its business objectives and to continue as a going concern; risks associated with the mining industry (including operating risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; uncertainties relating to the interpretation of the geology, continuity, grade and size estimates of the mineral resource; the uncertainty of estimates and projections in relation to production, costs and expenses); the uncertainty surrounding the ability of the Company to obtain and the expected time to obtain all permits, consents or authorizations required for its operations and activities; and health, safety and environmental risks, adverse weather conditions, and the risk of fluctuations in gold prices and foreign exchange rates.

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

information.

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

Overview

The Company's shares trade on the TSX Venture Exchange (TSX.V: ATG) and on the OTC Pink (OTC Pink: ATLDF). As of May 27, 2016, the Company has 38,448,018 shares issued and outstanding and warrants outstanding to purchase 3,592,000 common shares at prices ranging from C\$0.10 to C\$1.10 per share, expiring between December 2016 and April 2018.

The Company is engaged in the exploration, environmental permitting, engineering and development of the Atlanta Gold project ("**Atlanta Project**"), an advanced-stage gold exploration property located near Atlanta, Idaho, U.S.A, through the Company's wholly-owned subsidiary, Atlanta Gold Corporation ("**AGC**"). In addition, to further test and improve upon the processing method intended to be used at the Atlanta Project, AGC through its subsidiary, Mineral Point, LLC, formed Neal Development, LP (the "**Partnership**") which in July 2015, commenced exploration activities at the Neal Property. The Neal Property is located 15 miles southeast of Boise, Idaho, in Elmore County and 45 miles southwest of the Atlanta Project within the same Trans-Atlanta-Challis fault alignment.

Overview of Performance and Outlook

Neal Property

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

The Neal Property is at a much lower elevation than the Atlanta Project and generally allows year-round access to mineralized material. The Partnership expects to advance certain exploration and processing methods, with such advancements to be available to AGC for use at the Atlanta Project. The recovery process medium is water with gravity recovery and recent testing results indicate that gold concentration of up to 400:1 with the possibility of recoveries greater than 80% of total gold without the use of any chemicals is achievable. The expected field recovery of greater than 80% of total gold and a concentration ratio of over 100:1 is the target of processing of the planned sampling program by the Partnership.

Exploration trenching at the Neal Property completed during 2015 provided an estimated bulk sample of 8,000 tons. Five hundred and sixty two (562) samples in 8 batches were tested and analyzed by two independent laboratories, resulting in a weighted average gold grade of 0.1494 ounces per ton (5.12 grams per tonne). (Please also see the Company's news release of December 9, 2015). William L. Josey, an independent geologist and a Registered Member of SME, is the Company's "qualified person" as defined by National Instrument 43-101 and has reviewed and approved the foregoing. The sample area of three acres has been cross trenched followed by condemnation drilling to forty feet. The surface area has been contoured,

covered with top soil and topped with approved seeding. The concurrent reclamation will reduce the total area of disturbance as ongoing permitting is applied for and also reduce bonding requirements.

Processing of the estimated 8,000 ton bulk sample will commence in the second quarter of 2016 subject to receiving the approval and acceptance of the Reclamation Plan and mine permit from Idaho State Lands. The Partnership filed for the mine permit in mid-March of 2016 and such applications usually have a review term of sixty days. It is planned that the sample will be transported off site, crushed in a gravel pit, fed to concentrators owned by AGC, processed by AGC and the concentrated product is expected to be delivered to a refinery or to a toll processing facility for final processing and then be available to market.

Excavation of additional tons of gold bearing materials to be processed will commence in June and continue to provide additional tons to test the gravity concentration process.

Additional funds will be required for the Partnership to carry out its work program at the Neal Property. The Partnership is working to raise up to an additional \$1,400,000 through the sale of additional Partnership units, which it currently expects will be completed during the second or third quarter of 2016. Delays in obtaining additional funding could result in the Partnership delaying or postponing its programs on the Neal Property. AGC provides certain general, administrative and other services to the Partnership and if the Partnership is delayed in obtaining or is ultimately unable to obtain additional financing, this will impact adversely on the working capital of AGC.

Atlanta Project

Following the previous two years of surface material evaluation and testing gravity separation and centrifugal recovery, the Company believes that a bulk sample is warranted at the east end of the Atlanta Project. This area has a surface resource exposed for thousands of feet and as wide as hundreds of feet, containing placer-like gold bearing material covering a large area. The bulk sample of thousands of tons and on site processing is the next step to confirm gravity separation using water as the medium which can be the next generation of small mine development. This type of recovery system addresses present and future environmental issues. Work on a bulk sample is expected to commence as soon as funding is available following successful completion of testing at the Neal Property.

Water Treatment Facility

AGC resolved the environmental issues arising from the naturally occurring arsenic, iron and other contaminants entering waterways as a result of ground water passing through historic mined out areas near the Atlanta Project. AGC installed an innovative water treatment facility in October 2012 and expanded it in 2013, which resulted in the achievement of better water quality than mandated by the threshold set by the U.S. Environmental Protection Agency (the "EPA"). AGC continues to maintain overall compliance with the drinking water standards as set by the EPA and the Idaho Department of Environmental Quality in the State of Idaho when it is treating manageable flows.

AGC and the U.S. Forest Service ("USFS") are in discussions to develop a scheduled Plan of Operations to determine the best option to close the 900 Level with a permanent control plug. Rehabilitation work within the cross-cut is necessary prior to commencing the required detailed geological assessment to determine the location of the proposed plug. The Company has planned for a flow control plug to be installed since 2008 and intends to cooperate with all

parties to execute a comprehensive closure plan for the 900 cross-cut. The installation of a control plug, which will create a large reservoir of water behind the plug, will provide the operator with the ability to control water discharge, manage water requiring treatment and maintain compliance with the United States Federal Water Pollution Control Act (the “**Clean Water Act**”). The ability to control the level of water discharge will be a significant additional safeguard as extreme conditions, such as unusually high Spring run-off levels or extreme flooding (such as that experienced in May 2014), can result in significant surges in water flow which on occasion have overwhelmed the containment systems and/or clogged filters, resulting in discharges that exceed the discharge levels mandated by the Clean Water Act.

HydroClean

AGC filed a Provisional Patent with the United States Patent Office in respect of certain aspects of the water treatment facility on November 26, 2014 and filed an International Patent on November 19, 2015. Funding of \$100,000 to protect the intellectual property was provided at no cost to the Company by G2T Technologies Inc. (“**G2T**”), of which James Gray, the Chair of the Company, is a significant shareholder. G2T, AGC and Wm. Ernest Simmons, the Company’s CEO, have formed a limited partnership in 2016, HydroClean Resources LP, with the intent of further developing the technology. (Please see the Company’s news release of January 19, 2016)

Trends, Uncertainties and Risk Factors

Exploration and development of mineral deposits will involve significant risks, including those relating to the discovery of mineralization, estimates of its quantity, grade and recoverability, the economic feasibility of production, the ability to obtain requisite permits and licenses and to comply with governmental regulations and fluctuations in the gold price. In addition, the Company and its projects are subject to significant financial risk. The Company has limited financial resources and no operating cash flow. Unless and until profitable production can be achieved, the Company will be dependent on obtaining financing from third parties and/or the sale, farm-out or lease of assets to fund its operating and capital expenditures.

Fulfillment of the Company’s plans and programs, including initiation of pilot scale gold processing in advance of commercial gold production, remains subject to the availability of sufficient financing on acceptable terms. The Company and AGC require additional funds to discharge their liabilities, to conduct the work program on the Atlanta Project and to meet their overhead expenses. While the Company completed equity financings of C\$120,750 in March 2016, C\$235,032 in April 2016 and C\$264,990 in May 2016, additional funding is required and the Company intends to seek additional capital by means of equity financings, additional debt financings or the formation of partnerships open to new investors. Challenging financial markets and the decline in gold prices have adversely affected the Company’s share price and its ability to finance planned activities and ongoing operations. The Company has experienced delays in obtaining requisite financing. Since the commencement of 2016, the gold price has improved somewhat and has had a positive impact on the mining segment of the capital markets. Management believes that it will ultimately be successful in obtaining additional financing. However, additional delays in completing or the inability to complete additional financings could result in significant delays in carrying out or the possible cancellation of the Company’s planned activities and will adversely affect the Company’s ability to fund its commitments under its outstanding indebtedness. This would have a material adverse effect on the Company’s financial condition, business and operations.

Certain of the financings completed by the Company were guaranteed by AGC and secured by mortgages on the Atlanta Project. Should the Company be unable to comply with its obligations under its indebtedness, holders of the secured indebtedness could seek to enforce their mortgage security, which could result in AGC losing its interest in the Atlanta Project.

AGC has issued options to acquire gold from AGC. If AGC is unable to obtain sufficient gold from its projects prior to the exercise of the gold options, it will be necessary for AGC to purchase gold from other sources to deliver to the option holders or to otherwise satisfy the gold delivery commitment by means of an equivalent cash payment. The amount of such cash payment will be dependent on the price of gold at the time of exercise, and accordingly, the amount cannot be determined at this time but could be significant. Delays in obtaining gold or the failure to obtain sufficient gold from its projects could have a material adverse affect on the financial condition, business and operations of AGC and the Company.

Environmental Matters and Environmental Litigation

Southwestern Idaho is an environmentally sensitive area due to its proximity to the City of Boise and the presence of recreational rivers in the area. The Company believes that it has removed the most significant environmental hurdles by achieving compliance with the effluent limits of the Clean Water Act, modifying the process technology, planning to process high sulphide concentrates out of state in order to reduce acid-generating capacity of waste tailings product on the Atlanta Project site, and by relocating the proposed processing facility and tailings management facility to a more advantageous area. In addition, the Company continues to have open communications with **USFS**, the **EPA**, the Idaho Department of Water Resources ("**IDWR**"), the Idaho Department of Environmental Quality ("**IDEQ**") and special interest groups.

Companies previously in production at the historic mine site drove an adit in 1917 at the 900 (6080 ft) level (the "**Adit**") and groundwater drains from the Adit. The geological structures within the area contain naturally-occurring arsenic, which enters the waterways as a result of water passing through historic mined-out areas in the mineralized structure. In 2006, AGC constructed, and began operating a Pilot Water Treatment Facility ("**PWTF**") which treated all water flowing from the Adit to remove significant levels of naturally-occurring contaminants, including arsenic. AGC does not hold any interest in the land on which the Adit is located nor does it have any right to use the groundwater that is discharged from the Adit. Subsequent to construction of the PWTF, permitted limits for effluents, including for arsenic, were significantly reduced. The permitted discharge limit for arsenic was reduced from 190 to 10 micrograms per liter (10 µ/L) or parts per billion. The PWTF as constructed in 2006 was not capable of meeting these significantly lower limits. AGC subsequently modified its treatment regime and engaged consultants to evaluate various treatment options.

As noted above, the Company and the USFS are in discussion to develop a Supplemental Plan of Operations ("**SPOO**") to determine the best option to close the 900 Level with a permanent flow control plug. Rehabilitation work within the cross-cut is necessary prior to commencing detailed geological assessment.

In 2012, the U.S. District Court for the State of Idaho held that AGC had violated the effluent limits of the Clean Water Act. The Court ordered AGC to implement measures to come into compliance with the effluent discharge limits. AGC subsequently completed the installation of

a passive water filter system to the PWTF, which has been highly successful in achieving better water quality than mandated by the Clean Water Act. The Court also imposed a \$2,000,000 penalty to be paid over a five-year period, with the quarterly installments increasing in size annually to a maximum of \$100,000 per quarter beginning in the third year and with a balloon payment in the amount of \$450,000 due on September 30, 2018. AGC has made aggregate payments to date of \$300,000 but payments of an additional \$250,000 which were to be made during 2015 and \$100,000 which were to be made by March 31, 2016, are accrued and unpaid as of May 27, 2016. The penalty amount bears interest at a rate of 0.1% per annum from November 28, 2012 and is secured by recording the Consent Judgment against four generators owned by AGC located on the East Amity property located in Boise, Idaho. AGC is endeavoring to comply with the terms of the payment arrangement but if AGC is unable to pay the amount in arrears and to make future payments when due, the final judgment could be reopened and AGC could be subject to additional financial and other sanctions at the discretion of the Court, and such sanctions could be significant.

Penalty incurred	\$2,000,000
Payments made to date	(\$300,000)
Penalty Outstanding	\$1,700,000
Payments due in 2015 past due	250,000
Payments due in 2016 past due	100,000
Payments due in 2016	300,000
Payments due in 2017	400,000
Payments due in 2018	650,000
Penalty Outstanding	\$1,700,000

Reference should also be made to the section entitled "Uncertainties and Risk Factors" in the Annual MD&A.

Discussion of Operations

Three months ended March 31, 2016 compared with three months ended March 31, 2015

The Company's general and administrative expenses for the three months ended March 31, 2016 declined by \$40,000 from the comparable prior period to \$67,000, reflecting decreases in professional fees, investor relations costs, salaries and management fees.

Cash used in the operating activities for the three months ended March 31, 2016 was \$17,000, a substantial decline from the first quarter of 2015, reflecting the continued limitations on the funds available to the Company and the Company's efforts at cost reduction.

Cash from financing activities for the three months ended March 31, 2016 was \$80,000 (2015 - \$76,000), reflecting the equity financing completed in March 2016 as compared to shareholders' loans financing in the first quarter of 2015.

Cash used in investing activities for the three months ended March 31, 2016 was \$146,000 (2015 - cash from investing activities of \$24,000) resulting from mineral property expenditures of \$133,000 (2015 - \$16,000) and the addition of equipment of \$13,000 (2015 - \$40,000 cash received from the sale of equipment)

The following table discloses certain financial data for the eight most recently completed quarters, expressed in thousands of U.S. dollars (except basic per share data).

Quarter ended	Total Revenues ⁽³⁾	General and Administrative Expenses	Net Loss (Income) ⁽²⁾	Basic Loss (Income) Per Share ⁽⁵⁾	Fully Diluted Loss (Income) Per Share ⁽⁵⁾
March 31, 2016	-	67	3,548 ⁽¹⁾	0.12	0.06
December 31, 2015	-	75	(833) ⁽¹⁾⁽⁴⁾	(0.03)	(0.02)
September 30, 2015	-	129	(2,152) ⁽¹⁾⁽⁴⁾	(0.08)	(0.05)
June 30, 2015	-	212	1,488 ⁽¹⁾	0.06	0.06
March 31, 2015	-	107	(5,040) ⁽¹⁾⁽⁴⁾	(0.19)	(0.16)
December 31, 2014	-	121	(1,168) ⁽¹⁾⁽⁴⁾	(0.08)	(0.06)
September 30, 2014	-	152	(2,218) ⁽¹⁾⁽⁴⁾	(0.09)	(0.07)
June 30, 2014	-	250	2,670 ⁽¹⁾	0.10	0.09

- (1) Includes: Mineral property costs expensed as follows: Nil during the first quarter of 2016, the fourth, third, second and first quarters of 2015 and during the fourth, third, second quarters of 2014;
- (2) The Company has not incurred any losses arising from discontinued operations or extraordinary items in the last eight quarters.
- (3) Since the Company is not in production, it does not generate any revenue.
- (4) Net income in the fourth, third and first quarter of 2015, the fourth and third quarters of 2014 arose from foreign exchange gains which primarily arose from the impact of the translation of intercompany loans by the Company to AGC.
- (5) (Income) Loss per share for the first quarter of 2015, the fourth, third and second quarters of 2014 were adjusted for the one for ten share consolidation completed in June 2015.

The Company's net loss totaled \$3,548,000 for the three months ended March 31, 2016, with basic loss per share of \$0.12 and diluted loss per share of \$0.06. This compares with a net income of \$5,040,000 with basic income per share of \$0.19 and diluted income per share of \$0.16 for the three months ended March 31, 2015.

The change of \$8,588,000 in net loss was principally due to the weakening, during the first quarter of 2016, of the U.S. dollar relative to the Canadian dollar. The Company had a foreign exchange loss of \$2,988,000, most of which was derived from the translation of intercompany loans made by the Company to AGC, which are denominated in U.S. dollars, resulting in a net loss of \$3,548,000. The financial statements are presented in U.S. dollars, so the Company's balances are translated from Canadian dollars to U.S. dollars. The translation of loans receivable from AGC to the Company from Canadian dollars into U.S. dollars has been recognized on the balance sheet in accumulated other comprehensive loss.

Capital Expenditures

Atlanta Project, Idaho, USA:

Capital expenditures in the first quarter of 2016 were \$198,000 and included expenditures on project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the 900 Adit.

In comparison, expenditures in the first quarter of 2015 were \$173,000 and included expenditures on project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the 900 Adit.

Exploration and evaluation expenditures for the Atlanta Project for the three months ended March 31, 2016 and 2015 are shown in the table below.

	For the three months ended	
	March 31, 2016	March 31, 2015
Opening Balance	\$ 46,794,812	\$ 45,767,595
Equipment rental	4,009	1,059
Field expenses	218	574
Salaries	64,493	138,619
Lab analysis	-	2,000
Project administration	15,545	(82,282)
Depreciation - field equipment	\$ 114,154	112,779
Total Increase During the Period⁽¹⁾⁽²⁾	\$ 198,419	\$ 172,749
Closing Balance	\$ 46,993,231	\$ 45,940,344

- (1) Additions in the three months ended March 31, 2016 include expenditures on project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the Adit.
- (2) Additions in the three months ended March 31, 2015 include expenditures on project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the Adit.

Neal Property, Idaho, USA:

Capital expenditures in the first quarter of 2016 were \$57,000 and included expenditures on project administration and geology/geophysics.

In comparison, expenditures in the first quarter of 2015 were \$2,200 and included expenditures on project administration and equipment rental.

Exploration and evaluation expenditures for the Neal Property for the three months ended March 31, 2016 and 2015 are shown in the table below.

	For the three months ended	
	March 31, 2016	March 31, 2015
Opening Balance	\$ 271,356	\$ 54,368
Equipment rental	-	50
Geology/Geophysics	2,460	-
Project administration	54,719	2,138
Total Increase During the Period⁽¹⁾	\$ 57,179	\$ 2,188
Closing Balance	\$ 328,535	\$ 56,556

- (1) Additions in the three months ended March 31, 2016 include expenditures on project administration and Geology/Geophysics.
- (2) Additions in the three months ended March 31, 2015 include expenditures on project administration and equipment rental.

Liquidity and Capital Resources

The mineral properties in which the Company currently has an interest are in the exploration stages and, consequently, the Company has no current source of operating revenue and is dependent on external financing to fund continued exploration and development of its mineral properties. Historically, the Company's principal sources of funding have been the issuance of equity securities for cash and by debt financings.

The decline in gold prices over the previous two years and the challenging financial markets faced by companies in the gold sector have had a significant adverse affect on the Company's share price and on its ability to raise additional funds through equity financings in a timely manner. In addition, previous uncertainty arising from the environmental litigation involving AGC had adversely affected the Company's share price and financing efforts. While modest increases in the gold price since the commencement of 2016 and the Company's success in completing equity financings in the past three months provide reasons for optimism, significant challenges remain in the gold sector, particularly for companies in the exploration and development stage, such as the Company.

The Company's cash position as at March 31, 2016 was \$32,000 (excluding restricted cash) compared to \$108,000 as at December 31, 2015. The Company's working capital deficiency as at March 31, 2016 was \$7,752,000 compared to deficiency of \$7,230,000 as at December 31, 2015.

	As at	
	March 31, 2016	December 31, 2015
Cash and cash equivalents excluding restricted cash	\$ 32,000	\$ 108,000
Current assets	\$ 704,000	\$ 797,000
Current liabilities	(8,456,000)	(8,027,000)
Working capital (deficiency) ⁽¹⁾	\$ (7,752,000)	\$ (7,230,000)

⁽¹⁾ Working capital (deficiency) is defined as current assets net of current liabilities, which is a non-GAAP measure. Non-GAAP financial measures do not have any standardized meanings prescribed by IFRS, and therefore cannot be comparable to similar measures presented by other issuers. Management believes that it is a useful measure when assessing the Company's liquidity.

As the Company is in the development stage, it has no ongoing source of cash flow. The Company continues to seek additional near-term financing in the range of C\$2 to C\$3 million, by means of one or more debt or equity financings or by a combination of both equity and debt. Successful completion of financing in the lower end of this range would address immediate operational requirements. In March 2016, the Company completed the private placement of 1,750,000 common shares for gross proceeds of C\$120,750. In April 2016, the Company issued 3,357,600 common shares at C\$0.07 per share for proceeds of C\$235,032 and issued 3,785,571 common shares at C\$0.07 per share for proceeds of C\$264,990 on May 20, 2016.

In order to advance the Neal Property, AGC formed Mineral Point, LLC, which is the general partner of the Partnership. The Partnership intends to raise up to \$2.5 million in order to fund exploration of the Neal Property. The first tranche of the financing, for gross proceeds of \$1,100,000, was completed in June of 2015.

There can be no assurance that the planned financings will be completed in a timely manner or at all. If the financings are delayed or are not completed or are completed for reduced amounts, the Company will be required to further reduce or repurpose planned operational expenditures and / or rely on other sources of funds, if available, which may include additional shareholder loans. The Company may also consider the sale of non-core assets to assist it in meeting its ongoing capital requirements. In the longer term, the Company will require additional financing to finance its exploration and development activities, for AGC to pay the arrears on the Court imposed penalty and to meet its debt servicing obligations, including initial installment payments under its Notes which will become payable in August 2016. Additional funding may be in the form of equity and / or debt or also by obtaining direct investments in the Atlanta Project by joint venture partners. The inability to obtain additional funding on a timely basis will have a material adverse effect on the financial condition, business and operations of the Company and AGC.

Transactions with Related Parties

The remuneration of key management personnel during the three months ended March 31, 2016 was \$95,000 (March 31, 2015 - \$134,813), of which one-half of the CEO's salary was unpaid and accrued at March 31, 2016. The Company had accrued \$511,824 of such senior officer's salary including \$478,846 of principal accrued for 2013, 2014, 2015 and first quarter of 2016 and \$32,978 of outstanding interest. At December 31, 2015, \$473,968 was accrued for one-half of a senior officer's salary including \$449,176 of principal accrued for 2013, 2014 and 2015 and \$24,792 of outstanding interest. This amount is unsecured and has no fixed terms of repayment. The interest rate is 7% per annum on unpaid remuneration.

At March 31, 2016, shareholders' loans of \$1,094,005 (December 31, 2015 - \$1,041,659) were payable to certain directors (Allan Folk, James Gray and Warren Holmes) and other shareholders of the Company. Of the total amount, \$318,313 (December 31, 2015 - \$313,500) was owed to Wm. Ernest Simmons, the President, CEO and a director of the Company, for the purchase of equipment and it is evidenced by demand promissory notes bearing interest of 7% per annum and is secured against the equipment purchased. The remaining shareholder loans of \$775,692 (December 31, 2015 - \$728,159) were from directors and shareholders and these loans bear interest of 8% per annum and are repayable on demand.

Contingencies and Commitments

The Company has made commitments in respect of its head office leases, payments against the penalty levied by the Court, implementation of the SPOO, long-term debt, mineral properties and other leases as follows:

(\$ in 000's)

	Total	Payments Due by Period		
		Years 1 to 2	Years 3 to 4	Beyond Year 4
Head office	2	2	-	-
Penalty, attorney fees and litigation costs	1,700	1,150	550	-
Shareholders' loans	1,094	1,094	-	-
Rehabilitation provisions - Atlanta gold property ⁽¹⁾	1,072	1,072	-	-
Rehabilitation provisions - Brodeur diamond property ⁽²⁾	54	54	-	-
Convertible loan ⁽³⁾	1,024	1,024		
Convertible debentures ⁽⁴⁾	2,036	457	1,579	
Promissory note ⁽⁵⁾	424	424	-	-
Senior secured notes ⁽⁶⁾	7,894	5,352	2,542	-
Operating leases	68	56	12	
Other long-term obligations ⁽⁷⁾	50	30	20	
Total Contractual Obligations	15,418	10,715	4,703	-

- (1) During the third quarter of 2012, the USFS granted approval of maintenance and additions to the existing Pilot Water Treatment Facility and closure of the Adit, to be completed during 2016.
- (2) The final phase of the restoration program at the Brodeur diamond property is expected to be completed within the next two years when funds are available.
- (3) On June 11, 2014, the Company borrowed \$600,000 by means of a convertible loan. The loan is unsecured and non-interest bearing and is to be repaid by delivery to the lender of 1,000 troy ounces of gold (or the cash equivalent thereof) payable in installments over an approximately 18-month period. The gold payments (1,000 troy ounces) were valued at \$1,024,000.
- (4) See the description of the debentures under "Debt Financing" in the Annual MD&A, which include C\$1.5 million Amended Debenture issued upon completion of refinancing transactions with CCM and C\$550,000 Additional Debentures.
- (5) See the description of the \$425,000 Secured Promissory Note under "Debt Financing" in the Annual MD&A.
- (6) \$6.1 million principal amount are currently outstanding and are repayable in cash installments at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively. See the description of the Notes under "Debt Financing-Senior Secured Notes" in the Annual MD&A.
- (7) AGC leases lode claims pursuant to a lease agreement, as amended, with F. C. Gardner. The lease expired on April 18, 2016 and was subsequently renewed for a five-year term expiring April 30, 2021.

Details and a discussion of the environmental litigation are included in the "Environmental Matters" section above and in Note 15 Commitments and Contingencies to the Company's audited consolidated financial statements for the year ended December 31, 2015.

Additional Information

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

May 27, 2016