

Management Discussion and Analysis

This management discussion and analysis of financial position and results of operations of Atlanta Gold Inc. (the “Company”) and its subsidiary for the three and six months ended June 30, 2013 and 2012 has been prepared as of August 28, 2013.

The discussion below should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company and the notes thereto for the six months ended June 30, 2013 and 2012 and the audited consolidated financial statements of the Company for the year ended December 31, 2012. The Company prepares and files its financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

All amounts are expressed in U.S. dollars and all amounts in financial tables, except per share amounts, are expressed in thousands of U.S. dollars, in each case unless otherwise indicated.

Additional information relating to the Company is filed with securities regulatory authorities in Canada and is available on SEDAR at www.sedar.com.

Cautionary Statement on Forward Looking Information

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

Forward-looking information is frequently identified by the use of words such as “may”, “will”, “could”, “believe”, “intend”, “expect”, “seek”, “anticipate”, “plan”, “continue”, “estimate”, “predict”, “potential” and similar terminology suggesting outcomes or statements regarding an outlook. Forward-looking information is included in the “Outlook” section of this MD&A as well as elsewhere in this document. Specifically, this document contains forward-looking information regarding, among other things, the effects of the Company’s mining strategy on gold recovery rates and the environmental impact at its Atlanta Project; the impact of increasing the open-pit mining cut-off grade on the recoveries and economics of the Atlanta Project; the interpretation of exploration results received to date and the expected enhancement of the gold resource at the Atlanta Project following the completion of additional exploration; 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 completion of additional bulk samples and test processing and the timing thereof; the development of a gold mine and potential commercial gold production levels at the Atlanta Project and the timing thereof; the completion of the ongoing financing and future financings and the use of proceeds therefrom; the continuance and enhancement of environmental initiatives, including the implementation and modification of the Supplemental Plan of Operations; the effectiveness of the passive water treatment system; the continuance of developmental initiatives including securing requisite permits; and the time needed prior to commencement of mining and production at Atlanta.

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

unduly rely on such forward-looking information and to carefully consider the risks and uncertainties involved with respect to such forward-looking information. Such risks and uncertainties include, but are not limited to, the Company's limited financial resources and its ability to raise sufficient funds on a timely basis to fund the capital and operating expenses, 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. 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 trade on the TSX Venture Exchange (TSX.V: ATG) and on the OTCQX (OTCQX: ATLDF).

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 near Atlanta, Idaho, U.S.A, through the Company's wholly-owned subsidiary, Atlanta Gold Corporation ("**AGC**").

In early 2008, the Company adopted a combined open pit and bulk tonnage underground mining strategy, abandoning the prior low grade open pit mining and cyanide heap leach strategy, which was regarded as unpermissible. In 2008, the decision was also made to process the ore on site, making both a gravity gold concentrate and a precious metal rich sulphide concentrate, thereby also minimizing environmental impact, and significantly improving recoveries (from 63% to 83% for gold). The hypothesis that the Company decided to test was that 1) a significant gold deposit both near surface and at depth could be outlined, 2) the revised mining and processing strategy would be much easier to permit, because the environmental impact would be minimized, and 3) the potential for a long term operation would be very attractive to the local community and to the state, because of the expected economic and social benefits of the Atlanta Project.

The change in strategy required almost a complete restart of the resource definition. Over the next four years the Company outlined an Indicated mineral resource of 785,000 gold equivalent ounces within 7.77 million tons at an average grade of 0.101 ounces per ton ("**opt**") (3.46 grams per tonne) ("**gpt**") AuEq and an Inferred mineral resource of 397,300 gold equivalent ounces contained within 2.72 million tons at an average grade of 0.146 opt (5.01 gpt) AuEq. Approximately 74.3% of this resource is open pitable. Details of this resource, including gold and silver ounces and the respective grades thereof, are shown in the table below under "*NI 43-101 Resource Estimate*". Additional detail is available on SEDAR and the Company's website.

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 open pit and underground mine at Atlanta in a timely manner.

The Company expects that significant economic and environmental benefits will be realized from using a pilot processing method which is currently being used by Knife River Corporation ("**Knife River**") at the Gold Hill Mine which is located approximately 50 miles from the Atlanta Project. This type of processing facility will allow the Company to advance the Atlanta Project while reducing capital investment and reducing power consumption and other operating costs associated with a conventional mill. In addition, this is an environmentally friendly method which uses and recycles water, eliminates water discharge and collects and concentrates all heavy metals. The Company continues to evaluate and is proposing to use various improved technologies to minimize the surface disturbance and reduce the projected environmental impact of the Atlanta Project as the Company moves forward to production.

On January 29, 2013, Wm. Ernest Simmons, was appointed President and CEO of AGC to facilitate the transition of the Atlanta Project from exploration through ongoing development.

On February 27, 2013, AGC selected a Steering Committee primarily comprised of Idaho residents to advise on and facilitate the transition of the Atlanta Project through exploration and development. The Company expects that it will benefit significantly from the experience and expertise of each committee member. The Steering Committee's breadth and depth of experience in gold exploration and development, construction, public relations, legal, transportation, distribution and processing in the Western U.S.A. represents a significant step forward in the Company's strategic capabilities.

NI 43-101 Resource Estimate

In January 2012, P&E Mining Consultants Inc. ("P&E") of Brampton, Ontario completed an independent updated resource estimate on the Company's Atlanta property in Idaho, USA. The estimate incorporates all drilling results to date, including the 56,924 foot (17,350 metre) core drilling program completed in 2011.

P&E estimates an Indicated mineral resource of 752,000 gold ounces within 7.77 million tons at an average grade of 0.097 opt (3.32 gpt) Au and an Inferred mineral resource of 385,900 ounces contained within 2.72 million tons at an average grade of 0.142 opt (4.87 gpt) Au. Using a gold to silver price ratio of 50.35:1, the updated Indicated mineral resource is 785,000 gold equivalent ("AuEq") ounces within 7.77 million tons at an average grade of 0.101 opt (3.46 gpt) AuEq and the Inferred mineral resource is 397,300 AuEq ounces within 2.72 million tons at an average grade of 0.146 opt (5.01 gpt) AuEq.

Details of the P&E resource estimate as at January 31, 2012 are provided in the following table:

Area	Tons (000's)	GOLD				SILVER				TOTAL EQUIVALENT OUNCES OF GOLD (000's)
		Cut-Off Grade Au (opt)	Grade		Ounces of Gold (000's)	Grade		Ounces of Silver (000's)	Ounces of Silver as Gold Equivalent (000's)	
			Ounces Per Ton Au	Grams Per Tonne Au		Ounces Per Ton Ag	Grams Per Tonne Ag			
OPEN -PIT:										
Indicated	7,140	0.035	0.091	3.13	652.4	0.218	7.47	1,556.4	29.6	682.0
Inferred	1,478	0.035	0.127	4.36	188.2	0.275	9.43	406.5	7.8	196.0
UNDERGROUND:										
Indicated	633	0.098	0.157	5.40	99.6	0.163	5.59	103.2	3.4	103.0
Inferred	1,239	0.098	0.160	5.47	197.7	0.153	5.25	189.6	3.6	201.3
TOTAL:										
Indicated	7,773		0.097	3.32	752.0	0.214	7.32	1,659.6	33.0	785.0
Inferred	2,717		0.142	4.87	385.9	0.219	7.52	596.1	11.4	397.3

1. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.

2. The quantity and grade of reported Inferred resources in this estimate are uncertain in nature and there has been insufficient exploration to define these Inferred resources as an Indicated or Measured mineral resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured mineral resource category.

3. The mineral resources in the above table were estimated using the CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions.

4. Gold equivalent ("AuEq") was calculated such that one ounce of Au = 50.35 ounces Ag. Metal prices used were the January 31, 2012 two-year trailing average for Au at \$1,419/oz and Ag at \$28.18/oz with respective mill recoveries of 83% for gold and 88% for silver. Prevailing metal prices at January 31, 2012 were \$1,744.00 per ounce of gold and \$33.60 for silver.

5. The historically mined tonnage from historic operations was removed from the block model.

6. Gold cut-off grades of 0.035 opt (1.20 gpt) for open pit and 0.098 opt (3.36 gpt) for underground resources were established from metal prices, expected recoveries, and estimated operating costs. Operating costs for the open pit resource estimate cut-off grade calculation were mining costs of \$2 per ton, G&A expenses of \$8 per ton and processing and concentrate shipping and smelter charges of \$32 per ton. Operating costs for the underground resource estimate cut-off grade calculation were mining costs of \$60 per ton; G&A expenses of \$8 per ton and concentrate shipping and smelter charges of \$42 per ton.

Mineral resources contained within a preliminary optimized pit shell are considered to be amenable to lower cost open pit extraction, whereas mineral resources below this are considered to be amenable to underground extraction. Open pit slopes were 50 degrees.

The average gold equivalent grade (including silver resources as a gold equivalent) of the open pit resource is 0.096 opt (3.28 gpt) AuEq in the Indicated resource classification and 0.133 opt (4.55 gpt) AuEq in the Inferred open pit resource classification. The average gold equivalent grade of the underground resource is 0.163 opt (5.58 gpt) AuEq in the Indicated resource classification and 0.162 opt (5.57 gpt) AuEq in the Inferred underground resource classification.

In light of the Company's decision to focus on environmental permitting and engineering and economic studies required to bring the Atlanta Project to production, in February 2012, P&E prepared a preliminary gold cut-off grade sensitivity analysis on the Atlanta Project's open-pit resource.

The open-pit contains 74.3% of the total NI 43-101 open-pit and underground resources, reflecting the density of diamond drilling in the upper portion of the resource.

Detailed economic studies will be required to optimize the cut-off grade, however, this preliminary sensitivity analysis indicates the potential to improve the Net Present Value of the Atlanta Project by creating a higher grade alternative, which would be expected to reduce operating costs per ounce, raise recoveries and concentrate grades, and reduce capital costs and the environmental footprint of the Project.

The majority of the current resource is located between the surface and the 6,200-foot elevation (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 (15,250 metres). These mineralized shear zones have hosted numerous past-producing mines since the 1860s.

Other Properties

The Company continues to hold other lower priority exploration properties including the Abitibi gold property in eastern Quebec ("**Abitibi**") and the Jackson Inlet diamond property on the Brodeur peninsula of Baffin Island ("**Brodeur**").

Abitibi gold property, Quebec, Canada:

The Company holds a 60% ownership interest in 27 claims comprising the Normar portion of the Abitibi property and a 2% net smelter return royalty on the 18 claims comprising the Malartic portion of the property in which Niogold Mining Corp. holds a 60% ownership interest. The Company also holds a 100% interest in an additional 13 mining claims in the Abitibi area.

Brodeur diamond property, Baffin Island, Canada:

Brodeur consists of 24 mineral claims located on the Brodeur Peninsula of Baffin Island covering approximately 61,980 acres (250 square kilometres). After management's decision in late 2007 to primarily focus on the development of the Atlanta Project, the Company has not incurred any exploration expenditures on Brodeur, but has maintained 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 from samples weighing a total of 248.4 tonnes. In December 2011, the Company accrued an estimated \$200,000 in respect of restoration costs postponed to between June and September 2013, 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. In December 2012, an additional \$100,000 was accrued for a total of \$300,000 in accrued restoration costs.

Atlanta Property History

Historic mining from 1860 to 1960 at Atlanta extracted 300,000 AuEq ounces at cut-off grades exceeding 0.4 opt (13.7 gpt) Au. The Atlanta property was held by the Company since 1985 and in early 2008 the Company decided to identify the potential for a combined open pit and underground operation with gold recovered in a traditional process plant - 25% of the gold in a table gravity concentrate, and 75% in a flotation sulphide concentrate to be sold to a Nevada processor. Advantages are significant:

- 1) No cyanide use
- 2) Much smaller environmental footprint
- 3) Higher gold recoveries – (83% vs. 63%)
- 4) Longer Life-of-Mine potential

In 2008, a geological hypothesis was developed indicating the potential for a significant gold deposit both near surface and at depth, based on the data from historic mining and applicable drill data available at the end of 2007.

Achievements in Q2 of 2013:

- The Company announced positive metallurgical test results from an 11-ton bulk sample. Using grinding, roasting and bottle roll digestion overall recovery rates increased to 88.9% and 94.7%. (Please see below under "Plan of Operations")
- The Company purchased an excavator which was subsequently mobilized to the Atlanta project site in early July. The excavator is being used to install additional water treatment filters at the 900 Adit, to reclaim drilling platforms and to conduct a bulk sampling program.
- The innovative passive water filtration system installed in October 2012 by AGC continued to remove better than 99.9% of the arsenic and approximately 99% of the iron. (Please see below under "Recent Achievements")

Recent Achievements

In the first quarter of 2012, the Company completed an updated NI 43-101 resource estimate, as described above under "NI43-101 Resource Estimate".

During the third quarter of 2012, the U.S. Forest Service (“**USFS**”) granted approval to parts (ii) and (iii) (described below) of AGC’s Supplemental Plan of Operations (“**SPOO**”) with respect to reclamation and closure of the historic adit at the 900 level adjacent to the Atlanta Project, the expansion of the existing pilot water treatment facility (“**PWTF**”) being operated by AGC and ultimately, the closure of the PWTF and reclamation of the area on which the PWTF is located. The SPOO was prepared following consultation with consulting engineers, the USFS, the United States Environmental Protection Agency and the Idaho Department of Environmental Quality, and it addresses the following initiatives: (i) diversion of Montezuma Creek and realignment of USFS Road 207; (ii) maintenance and additions to the existing PWTF; and (iii) underground evaluation for closure of the 900 level adit. It is expected that such implementation will improve both the current and long-term water quality issue related to the 900-level adit, resolve the environmental issues arising from the environmental litigation involving AGC (see “Environmental Matters-Environmental Litigation”) and provide a water supply for future operations.

The National Pollutant Discharge Elimination System (“**NPDES**”) Permit issued to AGC requires that no more than 10 micrograms per liter (10 μ /L) or parts per billion (“**ppb**”) arsenic be discharged into Montezuma Creek. AGC completed the installation of the passive water filtration system (“**PWFS**”) in 2012 and the PWFS continues to remove better than 99.9% of the arsenic, and approximately 99% of the iron. Continued performance at this level of efficiency will allow AGC to demonstrate compliance with permit requirements and provide the opportunity to move forward to production.

Daily monitoring of the system continues and ongoing testing led to adjustments in the PWFS and plans to modify the SPOO. AGC’s plans, prior to maximum flow and run-off, to modify the SPOO, have the changes approved by the responsible agencies, and expand the capacity of the filter system instead of increasing pond capacity. AGC believes that the removal of the arsenic and iron can be improved upon by installing a “Solids Removal Filter” between the existing settlement ponds and the Final Filter instead of increasing pond capacity. AGC has experienced some clogging in the Final Filter due to suspended solids forming but not settling in the ponds. The Solids Removal Filter will act as an “interceptor” to remove suspended solids that have formed during treatment in the ponds and before they are received by the Final Filter. The water that will be received by the Final Filter will contain substantially less suspended solids.

The Solids Removal Filter will consist of two additional cells, one of which can be taken offline at any given time. The filter material in the cells will consist of silica sand and zero valent iron material. These materials will increase the contact time and the rate of sediment removal. The inert (TCLP) solids that are collected in the cells can be easily removed and transported to adjacent private property owned by AGC for disposal. By installing the Solids Removal Filter, it is believed that the efficiency of the Final Filter will be substantially improved and will eliminate the need for the approved 200,000 gallon “East Pond” that is cited in the SPOO. AGC expects that, with the completion of the SPOO scheduled for December 2014 and control of water discharge flow rates, this innovative system will provide a long-term water treatment solution.

Continued performance at this level of efficiency will allow AGC to demonstrate compliance with permit requirements and provide the opportunity to move forward to production.

AGC believes that the new system could also provide a low cost, energy efficient, safe solution to water treatment issues common to many others in the State of Idaho, and AGC has received inquiries from various communities, mine operators and well water users expressing interest in the PWFS.

AGC has licensed a third party to make this system available to others that have issues with respect to water containing elevated levels of naturally-occurring arsenic.

Plan for Operations

The Company has shifted its primary focus from building the resource at the Atlanta Project to environmental permitting, economic analysis, engineering and development, and developing the organizational depth required to take the Atlanta Project through this next phase. The Atlanta Project is at a stage where advance planning is required to move towards production. The Company's focus is to establish an exploration and test processing program over the next two years which will serve as a model for a longer-term profitable and environmentally sustainable operation.

The Company plans to complete additional bulk samples in 2013 from expanded trenches along the surface of the main Shear on private land. Bulk sampling will test structure and grade continuity, establish representative gold grade, assist in developing mining protocol, grade control, material handling and beneficiating procedures and assist in determining the final design of the processing plant. The environmental or surface footprint of the trenches and waste depository would initially be confined to less than ten acres of disturbance.

In the third quarter of 2012, Knife River transported and crushed 107 of the 145 tons of bulk sample material from surface trenches at Atlanta located across from the Main Shear Zone and immediately east of the Monarch Shaft. The original bulk sample was excavated from four existing surface trenches. The trenches are approximately 150 feet (45.7 meters) apart and are open cuts across the Main Shear Zone east of the Monarch Shaft above the 6800-foot elevation.

The 107-ton sample was crushed down to a feed size of 1/8" and processed at a test facility operated by Knife River. The test facility models Knife River's operating plant being used at the Gold Hill Mine, located approximately 50 miles from the Atlanta Project site, which successfully liberates the free gold content from the material, without the use of chemicals. The 107-ton sample was processed in two days through the gravity-washed system, and samples were assayed at four collection points in the system (feed, sluice carpet, underjig and tailings). Free gold particles collected in the system would be sent for refining into doré gold bars; while the remaining sulphide material, commonly referred to as black sand will be further processed offsite.

The initial bulk sample of 107 tons processed by Knife River in August 2012 recovered 20% of the gold values from an average feed of 0.051 ounces per ton (opt) Au. The results indicated that while the processing successfully liberated gold, processing of the initial bulk sample left significant amounts of gold behind in the tailings.

Reprocessing in June 2013 of 11 tons of the materials remaining from the initial bulk sample and grinding to -20 mesh liberated additional gold and heavy metals produced a concentrate of 18.896 opt Au which was verified by an independent mine laboratory. The objective for Final Recovery testing was to determine if the onsite gravity recovery system would produce a concentrate using only water as a medium. This testing supported the hypothesis that gravity separation is a viable option.

Bulk stock material was fed by hopper conveyor feeder to a ball mill and the outflow slurry delivered to a custom sluicing system with an 8 foot long spreading flume and into a 30 inch wide by 4 foot long sluice box containing low profile riffles.

The sluice concentrates were collected after each 2,000 lb run. The concentrates were taken back to the shop, screened through a 20-mesh screen and the -20 mesh was upgraded/cleaned on a 4x8 shaker table, producing more than 26.58 lbs of heavy concentrate obtained from processing 11 tons of the feed material.

The +20 mesh, shaker table tails, -20 mesh sluice concentrate, head feed samples, sluice tailings and overflow slimes were saved, dried, sealed and sent for assay. Notable amounts of fine, free gold were visible in the concentrate from approximately to -20 mesh down to the finest gold the human eye can detect.

Using grinding, roasting and bottle roll digestion, overall recovery rates increased to 88.9% in the first laboratory test and 94.7% in a second test. Additional lab work will be needed to optimize grinding, roasting and cyanidation at a selected toll recovery facility located out of state. Management is very pleased with this initial result which demonstrates that with some fine tuning on the gravity test the Company will be able to maximize the recovery of the metals from onsite concentrates that are of a quality that justify toll processing and refining costs.

It is anticipated that an ongoing program will be necessary to customize the process for the material extracted from the exploration trenches, and to optimize recoveries.

Eric Berentsen, a director of the Company and a Registered Member of Society for Mining Metallurgy and Exploration, Inc. (SME) is the Company's qualified person as defined by NI 43-101 and has approved the foregoing disclosure of test results.

This strategy offers an initial mine plan targeting development to be completed by mid-2014, focusing on maximizing grades and gold recovery from near-surface material at attractive capital and operating costs.

In order to sustain its operations, the Company requires additional funds to discharge its liabilities, to conduct its work program on the Atlanta Project and to meet its overhead expenses. In mid-August, 2013, the Company completed a US\$4 million debt financing of senior secured notes (see "Liquidity and Capital Resources"). The Company is seeking to issue additional senior secured notes and may also seek additional capital by means of equity financings and/or additional debt financings. 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. While management believes that the Company will ultimately be successful in obtaining additional financing, delays in completing, or the inability to complete additional financings will result in possibly significant delays in carrying out the Company's planned activities.

Environmental Matters

South-western 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 installing upgrades to the PWTF, modifying the process technology, planning to process high sulphide flotation 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 both USFS and environmental

groups to ensure that all parties know what is being planned, and understand each other's concerns. This optimizes the Company's ability to create an environmentally friendly mining project at Atlanta.

Environmental Litigation

Companies previously in production at the historic mine site drove an adit at the 900 level (the "Adit") and groundwater drains from the Adit. The area contains 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 since that time has operated, the PWTF which treats water flowing from the Adit to remove significant levels of naturally-occurring contaminants, including arsenic. AGC holds no 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 was not capable of meeting these significantly lower limits. AGC subsequently modified its treatment regime and engaged consultants to evaluate various treatment options.

In April 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") with respect to the operation by AGC of the PWTF and water discharged into Montezuma Creek from property which the Company then leased.

On January 9, 2012 the Court granted the motion for partial summary judgment sought by ICL and NEDC. The Court found that the levels of arsenic in the water discharge violated the effluent limits contained in the NPDES permit held by AGC. On July 19, 2012, the Court issued a Memorandum Decision (the "Decision") and ordered AGC to implement measures to come into compliance with the NPDES Permits by October 31, 2012, which date was subsequently extended by the Court to December 15, 2012. As described under "Recent Achievements", AGC has completed the installation of a passive water treatment system to the PWTF. Testing of the new system is continuing and it is believed that the system will enable AGC to maintain compliance with the effluent limits in the NPDES Permit. The Decision also imposed a \$2,000,000 penalty against AGC to be paid by October 31, 2012 which was ultimately extended by the Court to July 31, 2013. In August, 2013 AGC and all parties to the litigation agreed to a payment plan whereby AGC will pay the previously imposed US\$2 million penalty over a five year period.

The parties to the Clean Water Act litigation, including the U.S. Attorney as intervenor in the matter, have signed an Unopposed Motion for Consent Judgment and approved a proposed Consent Judgment for signature by the Court. The Motion and correlating Consent Judgment provide that AGC will pay the \$2,000,000 penalty in quarterly installments over a five year period, with the installment amounts increasing on an annual basis. The unpaid balance of the penalty will bear interest at the rate of 0.1% per annum and will be secured by recording the Consent Judgment against AGC's East Amity Road property located in Boise, Idaho and by a security interest, granted to the U.S Attorney's office, in four generators owned by AGC located on that property. AGC has made an initial payment of US\$50,000 pursuant to the provisions of the Motion.

The Motion and proposed Consent Judgment have not been filed, as the parties are awaiting an Order from the Court approving the U.S. Attorney's intervention in the case, to which all parties stipulated.

Following the filing of the Motion and proposed Consent Judgment, it is anticipated that the Court will sign and enter the Consent Judgment.

In November 2012, AGC reached a settlement agreement with ICL and NEDC in respect of reimbursement of their attorney fees and litigation costs incurred in their legal action against AGC. AGC has paid two installments of \$60,000 each and the remaining \$120,000 will be paid in two equal \$60,000 installments in the third and fourth quarters of 2013.

The Company and / or AGC will require significant funding in excess of current financial resources to meet its obligations, to complete implementation of the SPOO and to carry out its planned development initiatives. The Company anticipates obtaining the funding through the private placement of up to \$9 million principal amount of senior secured notes, of which \$4 million were issued on August 19, 2013. If completion of that financing is delayed or it is not fully completed, the Company will need to complete other debt or equity financings to meet its obligations and carry out its planned activities.

OWNERSHIP OF ATLANTA PROPERTIES

Atlanta consists of owned and leased patented and unpatented claims, as described below.

1. Monarch Greenback LLC

On April 28, 2011, AGC exercised its option to purchase a 100% interest in a property comprised of 33 mining claims totalling approximately 430 acres (the “**Monarch Property**”) from Monarch Greenback LLC (“**Monarch**”) for \$3,075,000. The purchase of the Monarch Property was completed on June 8, 2011. To assist in the financing of the purchase, the Company borrowed \$3 million by way of a secured, non-interest bearing bridge loan (the “**Bridge Loan**”) from Concept Capital Management Ltd. (“**CCM**”), which was subsequently repaid by the issuance by the Company of a 6% convertible debenture in the principal amount of C\$3 million (the “**Debenture**”). Terms of the Bridge Loan and the Debenture are described below under “Debt Financing”.

Upon AGC exercising its option to purchase, rental payments totalling \$290,000 per annum on the Monarch Property were terminated. Monarch retained a variable net smelter return royalty, varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding \$665 per ounce. As at June 30, 2013, advance royalty payments of \$1,500,000 had been paid by AGC to Monarch and will be deducted from future royalty payments to Monarch.

2. Hill & Davis

The Hill & Davis patented mining claim was purchased for \$139,500 in five annual payments, with the final payment being made in December 2010.

3. F. C. Gardner

AGC leases 31 unpatented lode claims pursuant to a lease agreement, as amended, with F. C. Gardner. The lease expires on April 18, 2016. Lease payments are currently \$10,000 per year and are treated as minimum annual advance royalties. If these claims go into commercial production before expiry of the lease, then the annual minimum advance royalty will be \$20,000. If this property is mined, F. C. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at June 30, 2013 advance royalty payments of \$198,500 have been made and will be deducted from any future royalty payments to F. C. Gardner.

4. **Hollenbeck Properties LLC**

AGC leases 9 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease has been extended to November 14, 2013 and is renewable year to year thereafter at an amount to be negotiated. Lease payments of \$10,000 per year are treated as minimum advance royalties. If this property goes into commercial production, then the annual minimum advance royalty will be \$20,000. If it is mined, Hollenbeck will receive a 4.25% NSR, from which all advance royalty payments shall be deducted. As at June 30, 2013, advance royalty payments of \$302,500 had been paid and will be deducted from any future royalty payments to Hollenbeck.

Annual rental and advance royalty payments are required to keep lease agreements in good standing for the properties that collectively comprise the Atlanta Project. Advance royalty payments to lessors are credited against future royalties payable on production. As at June 30, 2013 advance royalty payments totalling \$2,001,000 will be deducted from any future royalty payments to lessors / royalty holders. Lease payments made in the second quarter of 2013 and advance royalty payments as at June 30, 2013 are summarized in the table below.

Lessor / Royalty Holder	Property	Payments in Q2 of 2013 \$	Advance Royalty Payments as at June 30, 2013 \$
Monarch Greenback, LLC ⁽¹⁾	Monarch Greenback	-	1,500,000
Frank C. Gardner ⁽²⁾	Gardner	10,000	198,500
Hollenbeck Properties LLC ⁽³⁾	Minerva	-	302,500
TOTAL		-	2,001,000

Notes:

- (1) Rental payments to Monarch totalling \$290,000 per annum were extinguished upon purchase of this property in June 2011.
- (2) \$10,000 annual lease payment was paid on May 1, 2013.
- (3) \$10,000 annual lease payment was paid on November 15, 2012 on the Hollenbeck claims. The lease currently runs to November 2013 and is renewable thereafter. Annual lease payments are credited towards future royalty payments.

DEBT FINANCING

Bridge Loan and Debenture

To assist in the financing of the purchase of the Monarch Property, the Company borrowed \$3 million by way of the Bridge Loan, which was secured by a limited recourse guarantee of AGC with recourse limited to a mortgage on the Monarch Property. The Bridge Loan was repaid on December 14, 2011 upon issuance by the Company to CCM of the Debenture, and of warrants to purchase 30 million common shares of the Company. The warrants are exercisable for five years at a price of C\$0.11 per share.

The Debenture matures on December 15, 2016, bears interest of 6% per annum commencing from July 11, 2011, and is convertible in whole or in part at the option of CCM at any time into common shares of the Company at a conversion price of C\$0.10 per share (the “**Conversion Price**”). Interest

on the Debenture is payable annually beginning December 14, 2012 and, at the election of the Company, may be paid in cash or, subject to the approval of the TSX Venture Exchange (the "TSXV"), in common shares at an issue price per share equal to the average of the closing prices of the Company's common shares on the TSXV for the 20 trading days ending 5 business days prior to the interest payment date or such higher issue price as may be required by the policies of the TSXV. On December 14, 2012, the Company issued 5,148,951 common shares in satisfaction of C\$257,448 of accrued interest. If and for so long as an event of default occurs, interest will be payable at the rate of 8.5% per annum.

The Debenture is subordinated in right of payment of principal and interest to all secured debt of the Company, whether outstanding on or after the date of issue of the Debenture. AGC provided CCM with a guarantee of the Debenture, with recourse limited to a mortgage on the Monarch Property. The Company has agreed to not permit AGC to incur additional secured debt in excess of \$10 million (subject to certain exceptions) without the prior consent of CCM, such consent not to be unreasonably withheld, conditioned or delayed.

After December 14, 2012, the Company has the right to redeem all or part of the Debenture if the closing price of the Company's common shares on the TSXV on each of the 27 consecutive trading days prior to notice of redemption being provided, is not less than C\$0.35 (3.5 times the Conversion Price). Subject to the satisfaction of that condition, the Company will have the right to redeem all or part of the Debenture by paying the principal and accrued interest thereon plus a redemption fee of 6% if redeemed prior to December 14, 2013, 4% if redeemed prior to December 14, 2014 or 2% if redeemed prior to December 14, 2015. The Company must provide 30 days prior notice of redemption and CCM may elect to convert the Debenture into common shares prior to a redemption being effected.

CCM has the right to require the Company to redeem the Debenture at any time after December 14, 2014 and at any time following a change of control or merger transaction. A change of control means the acquisition by any person or group of persons acting jointly or in concert, of more than 50% of the issued and outstanding common shares of the Company. Merger means any transaction (whether by way of consolidation, amalgamation, merger, transfer, sale or lease) whereby all or substantially all of the Company's assets would become the property of any other person or in the case of any such consolidation, amalgamation or merger, of the continuing corporation or other entity resulting therefrom.

CCM has agreed that, without the prior consent of the TSXV, it will not exercise its conversion rights under the Debenture or exercise the warrants if following such conversion or exercise, it would beneficially own or exercise control or direction over more than 15% of the Company's then outstanding shares.

Gold Option

The Company and AGC entered into a gold option contract with CCM. AGC granted to CCM an option to purchase, at a price of \$1,400 per troy ounce, an aggregate of 4,000 troy ounces of gold produced from the Atlanta Project. This option will vest after AGC has completed production from the Atlanta Project of 20,000 troy ounces of gold and will expire on the fifth anniversary following the date of vesting. The Company guaranteed the performance of AGC's obligations under the contract.

\$425,000 Secured Promissory Note of AGC

On August 4, 2011, in partial payment for a 5.58 acre property located in Boise, Idaho purchased from 3N LLC, AGC issued a \$425,000 three-year promissory note, bearing simple interest of 7% per annum, which is secured by a mortgage on the acquired property. AGC makes monthly interest payments of \$2,490 on the promissory note.

Senior Secured Notes

On August 19, 2013 the Company completed the issuance of senior secured notes (“**Notes**”) in the principal amount of \$4,000,000 (Please see “Overview of Financial Results – Debt and Equity Financing”).

Overview of Financial Results

Debt and Equity Financing

The Company did not complete any equity financings during the first six months of 2013 or 2012.

In light of its limited cash position and working capital deficiency, shareholders, including insiders of the Company, from time to time advance funds to the Company and AGC in the form of shareholders' loans. In the first quarter of 2013, two directors advanced C\$220,000 to the Company at the interest rate of 7% per annum. In April 2013 in anticipation of completing the Note financing, the Company received aggregate advances of C\$700,000 from two shareholders and a director of the Company, each bearing interest at 6% per annum and each of which are unsecured. In July and August 2013, a director loaned AGC an additional \$70,000. Loans payable and accrued interest to shareholders was \$1,001,000 as at June 30, 2013 (June 30, 2012 – \$694,000)

In comparison, during the second quarter of 2012, shareholders, including insiders of the Company, advanced C\$430,000 to the Company.

The Company initially announced its intention to complete a debt financing in the first quarter of 2013. Terms of the financing were finalized in the second quarter of 2013. On May 30, 2013 the Company announced its intention to complete a private placement of Units consisting of \$1.00 principal amount Notes and warrants to purchase common shares, for gross proceeds of up to \$9 million (the “**Note Financing**”).

The Notes will bear interest at 10% per annum and the principal will be amortized at 25%, 35% and 40%, which will be repayable in cash installments on August 31, 2014, August 31, 2015 and August 31, 2016, respectively. The Notes will be secured by the limited recourse guarantee of the Company's subsidiary, AGC, and by a mortgage of AGC's interest in the Atlanta Project.

Each warrant will entitle the holder to purchase one common share of the Company for C\$0.10 per share until August 31, 2016. The Company will have the right to accelerate the expiry date of the warrants if the closing price of the Company's common shares on the TSXV exceeds C\$0.25 for 20 consecutive days on which the Company's shares trade.

Noteholders will receive an option exercisable until August 31, 2016 to purchase an aggregate of 95.0 ounces of gold at \$1,125 per ounce for each 100,000 Units purchased (\$100,000). Of the total ounces optioned, 23.75 ounces (25%) will vest on August 31, 2014, 33.25 ounces (35%) will vest on August 31, 2015 and 38.0 ounces (40%) will vest on August 31, 2016.

On August 19, 2013 the Company completed an initial tranche of this offering for gross proceeds of \$4 million. Insiders of the Company acquired 500,000 Units, representing 12.5% of the Units issued. The Company paid cash finder's fees of C\$140,000 in connection with the initial closing. Any additional tranches of the Note Financing to be completed will require the approval of the TSXV.

Net proceeds from the offering will be used for exploration, excavating and test processing of bulk samples, environmental permitting, engineering and development in respect of the Atlanta Project, payment of liabilities, implementation of the SPOO and for general working capital purposes.

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 more recently, by the debt financings described under "Debt Financing".

Cash as at June 30, 2013 was \$37,000 compared to \$53,000 as at December 31, 2012. The environmental litigation against AGC, the decline in gold prices and the challenging financial markets currently faced by companies in the gold sector generally 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.

Throughout 2012 and in the first six months of 2013, the Company took a number of steps to conserve cash spending and complete additional financings. In January 2012, a member of senior management voluntarily agreed to a suspension of salary payments and certain consulting fees to other members of management were reduced or eliminated. In the fourth quarter of 2012, the Company issued 5,148,951 common shares, in satisfaction of approximately C\$257,448 of interest, in accordance with the terms of the Debenture. During the second and third quarters of 2012, the Company issued a total of 20,335,909 common shares in satisfaction of a finder's fee of C\$200,000 incurred in connection with the issuance of the Debenture and C\$817,000 of outstanding trade payables and loans from shareholders. Effective January 1, 2013 two senior officers voluntarily agreed to defer, and the Company has accrued 50% of their salaries.

Notwithstanding the foregoing efforts, the Company had a working capital deficiency as at June 30, 2013 of \$5,317,000 as compared to a deficiency of \$3,593,000 as at December 31, 2012.

	As at	
	June 30, 2013	December 31, 2012
Cash and cash equivalents	\$ 37,000	\$ 53,000
Current assets	\$ 151,000	\$ 141,000
Current liabilities	(5,468,000)	(3,734,000)
Working capital (deficiency)	\$ (5,317,000)	\$ (3,593,000)

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 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.

As described above, a portion of the working capital deficiency was addressed by the completion of the initial \$4 million tranche of the Note Financing.

The Company intends to complete the balance of the Note Financing as soon as possible. Completion of the balance of the Note Financing will require further approval from the TSXV. Although the Company anticipates obtaining the requisite approval of the TSXV, there can be no assurance that such approval will be obtained or if obtained, that the Company will be successful in completing further tranches of the Note Financing. If completion of the balance of the Note Financing is delayed or such financing is not completed, the Company will, in the short term, be required to reduce planned expenditures and / or rely on other sources of funds, which may include shareholder loans or additional equity financing. 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 and it intends to do so from future financings of equity and / or debt and / or by obtaining direct investments in the Atlanta Project by joint venture partners. The inability to obtain additional funding on a timely basis may have a material adverse effect on the financial condition, business and operations of the Company and AGC.

Equity

As at June 30, 2013, the Company had (a) 253,441,565 common shares issued and outstanding, (unchanged from December 31, 2012); (b) stock options outstanding to purchase 4,105,000 common shares (December 31, 2012 – 5,435,000) at exercise prices ranging from C\$0.12 to C\$0.60 per share and expiring between February 2014 and September 2015; and (c) Warrants to purchase 98,328,875 common shares (unchanged from December 31, 2012) of the Company at exercise prices ranging between C\$0.05 and C\$0.15 per share, expiring between July 2013 and December 2016. In certain instances, the expiry dates of certain warrants may be accelerated by the Company. Shareholders' equity as at June 30, 2013 was \$36,620,000 compared to \$37,443,000 as at December 31, 2012. Stock options outstanding as at June 30, 2013 had a weighted average exercise price of C\$0.28 per share (December 31, 2012 - C\$0.36 per share) and a weighted average life of 14 months (December 31, 2012 – 16 months).

Capital Expenditures

Atlanta gold property, Idaho, USA:

Capital expenditures for the three and six months ended June 30, 2013 were \$383,000 and \$687,000 included project administration, equipment rental, property carrying costs, applications for road construction permits and capitalized depreciation of exploration and evaluation assets.

In comparison, expenditures for the three and six months ended June 30, 2012 of \$339,000 and \$686,000 were primarily in respect of preparing and filing the SPOO with respect to the reclamation and closure of the historic 900 Adit and PWTF and the preparation of an updated resource estimate on the Atlanta Project.

Contingencies and Commitments

The Company has made commitments in respect of its head office leases, payments against the penalty levied by the U.S. District Court for the State of Idaho, 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	40	40	-	-
Penalty, attorney fees and litigation costs	2,120	495	775	850
Implementation of Supplemental Plan of Operations ⁽¹⁾	1,696	1,696		
Long-term debt ^{(2) (3)}	4,086	901	3,185	-
Operating leases ⁽⁴⁾	59	59	-	-
Other long-term obligations ⁽⁵⁾⁽⁶⁾⁽⁷⁾	20	20	-	-
Total Contractual Obligations	8,021	3,211	3,960	850

- (1) During the third quarter of 2012, the USFS granted approval of maintenance and additions to the existing Pilot Water Treatment Facility and underground evaluation for closure of the 900 level adit.
- (2) See the description of the Debenture under "Debt Financing".
- (3) See the description of the \$425,000 Secured Promissory Note under "Debt Financing".
- (4) Operating leases include payments made pursuant to a lease agreement dated July 1, 2004 with Greene Tree, Incorporated, whereby AGC leased a 20.55 acre property and associated water rights in the Atlanta area. The agreement requires lease payments of \$4,887.50 per month until June 30, 2014. Under the term of the agreement, AGC has a right of refusal to purchase the property and water rights.
- (5) See "Ownership of Atlanta Properties: F.C. Gardner".
- (6) Canadian American Mining Company LLC retains a 1% net smelter royalty on Atlanta.
- (7) Monarch retains a variable net smelter return royalty, varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding \$665 per ounce, on the 430-acre property purchased by AGC from Monarch in June 2011. As at December 31, 2012, advance royalty payments of \$1,500,000 had been made by AGC and will be deducted from future royalty payments to Monarch.

Details and a discussion of the environmental litigation are included in the "Environmental Matters" section above and in Note 9 Commitments and Contingencies to the Company's unaudited condensed interim consolidated financial statements for the six months ended June 30, 2013 and 2012.

Second Quarter and First Half Year Results

General and administrative expenses for the three and six months ended June 30, 2013 were \$482,000 and \$843,000, respectively (2012 - \$336,000 and \$658,000), with the increase in 2013 over the comparable prior periods resulting from an increase in professional fees, investor relations fees and loss from foreign currency transactions which were partially offset by decreases in share-based compensation, travel and accommodation, salaries and management fees and administrative and office expenses.

Cash used in operating activities for the three and six months ended June 30, 2013 was \$245,000 and \$294,000, respectively (2012 – \$221,000 and \$440,000) with the decrease in 2013 over 2012 reflecting the Company's efforts to conserve cash pending completion of additional financings.

Cash from financing activities for the three and six months ended June 30, 2013 was \$670,000 and \$891,000, respectively (2012 – \$439,000 and \$694,000) with the increase in the current year arising from shareholder advances made in April 2013 in anticipation of completion of the Note Financing.

Cash used in investing activities for the three and six months ended June 30, 2013 was \$394,000 and \$613,000, respectively (2012 – \$237,000 and \$447,000) resulting from mineral property expenditures of \$285,000 and \$495,000, respectively (2012 - \$261,000 and \$496,000) and equipment purchases of \$109,000 and \$119,000, while in 2012, proceeds of \$24,000 and \$17,000 from sale of equipment, net of additions to property plant and equipment were recorded during the comparable periods.

Summary of Quarterly Results

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 (4)	General and Administrative Expenses	Net Loss (Gain) (3)	Basic and Fully Diluted Loss (Gain) Per Share
June 30, 2013	-	482	568(1)(2)	0.00
March 31, 2013	-	362	452(1)(2)	0.00
December 31, 2012	-	447	343(1)(2)	0.00
September 30, 2012	-	211	2,530(1)(2)	0.01
June 30, 2012	-	336	449(1)(2)	0.00
March 31, 2012	-	321	385(1)(2)	0.00
December 31, 2011	-	580	375(1)(2)	0.00
September 30, 2011	-	347	348(1)(2)	0.00

1. Includes: Mineral property costs expensed as follows: Nil during the second quarter of 2013; \$11,000 during the first quarter of 2013; \$103,000 during the fourth quarter of 2012; Nil during the third quarter of 2012; \$1,000 during the second quarter of 2012; Nil during the first quarter of 2012; \$50,000 during the fourth quarter of 2011; \$1,000 recovered during the third quarter of 2011.
2. Includes stock-based compensation expense charged as follows: \$166 during the second quarter of 2013; \$324 during the first quarter of 2013; \$1,000 during the fourth quarter of 2012; Nil during the third quarter of 2012; \$6,000 during the second quarter of 2012; \$6,000 during the first quarter of 2012; \$6,000 during the fourth quarter of 2011; \$6,000 during the third quarter of 2011.
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 not in production, 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 the Atlanta Project, an advanced stage gold exploration property.

The Atlanta Project's property is accessible by highway and county-maintained roads. The level of the Company's development activities at the Atlanta Project is impacted by winter weather

conditions, resulting in lower overall levels of activity on the project during that season. To date, the Company has conducted exploration on a seasonal (May / June to October / November) basis. However, as the Atlanta Project advances towards the production stage and permanent camp and other facilities are constructed, the impact of adverse weather conditions is expected to be reduced and the Company intends to conduct exploration, development, mining and milling activities on a year-round basis.

The Company assesses, on a regular basis, whether any impairment has occurred in the carrying value of its mineral properties. If such impairment has occurred, a write-down is charged in the period that the impairment took place. In 2007, the Company wrote off the carrying value of its projects other than Atlanta. The Company has determined that no charges had to be taken against Atlanta in the first six months of 2013.

Outlook

Atlanta Gold Property

The price of gold is the most significant factor that will affect the Company's future profitability and operating cash flows. Notwithstanding the recent decline in gold prices, in the long term the Company expects gold to remain attractive as a safe haven as many developed nations continue to struggle with economic uncertainty, elevated debt levels and respond with loose monetary policies. The growing middle class in emerging economies is providing further support for gold prices.

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, it expects that industry interest in the Atlanta Project will continue to develop. The Company invested in equipment, infrastructure and property, and progress has been made in reducing royalties, all of which serve to advance the property and reduce future capital and operating costs and demonstrate the confidence that management has in the Atlanta Project. The worldwide economic downturn has significantly increased the availability of new and used equipment and skilled personnel.

The Company is focusing on safeguarding the environment, environmental permitting, economic analysis, engineering and development. It intends to complete and test additional bulk samples from expanded trenches in 2013 and is investigating the feasibility of initiating pilot scale gold processing in advance of commercial gold production.

The plan for the balance of 2013 is: (1) to continue to implement the SPOO for the 900 Adit Closure and Reclamation Plan pertaining to the water treatment plant; and (2) to generate a larger bulk sample in order to determine the most effective gravity recovery system for mining and processing of the Atlanta Project lode in both the oxide and sulfide zones.

As prescribed in the government approved SPOO and the Final Filter specifications for the Atlanta mine project, the first stage of the new and proprietary passive water treatment system was implemented to capture better than 99% of the arsenic. The Passive Filtration System at the PWTF was installed in October 2012 (see news release dated November 13, 2012). The second stage, planned to expand the capacity of the PWTF to handle 600+ gallons per minute, is expected to be completed in the third quarter of 2013. The final stage is to plug the 900 crosscut and complete the closure plan for the 900 site by December 2014.

Results to date from the 107-ton bulk sample processed in August 2012 have confirmed beneficiation using the gravity recovery procedure is expected to achieve a recovery greater than 83% which was used in the model developed by P&E for their NI 43-101 compliant resource estimate (see “NI 43-101 Resource Estimate”).

The Company will continue to work with Knife River to mobilize its processing facility to the Atlanta Project site, improve the technology and customize it for Atlanta Project purposes. No chemicals will be added because the gravity processing system only uses water.

In order to mobilize the needed equipment onto the site, AGC intends to build an 8km access road. This all seasons road is an indication of the Company’s determination to address existing environmental conditions by relocating access routes, reducing the travel along drainages, protecting streams and tributaries, reducing storm water pollution by increasing the width of the buffer zones, eliminating the continuous use of exploration roads, providing a firebreak for the town of Atlanta and, last but not least, a safe entry and access route for all road users.

The request to construct the road was supported by residents, property owners and visiting sportsmen via a petition to the Elmore County Commissioners and Planning Board. The “firebreak” road will follow historic routing and cross public lands to the main shear zone of the Atlanta Mine’s private property. This road will also provide a firebreak to protect the forested north-facing slope of the Atlanta Project landholdings. The North Slope is the area within which the historic Atlanta community is located. The Company has received approval for the construction of the private access road from the Atlanta Highway District (see news release dated December 12, 2012) and construction is expected in Q2 of 2014 and should take approximately three weeks to be completed.

The Company has limited financial resources and no source of operating revenue. In the past, it has relied on debt / equity financings to maintain its exploration, environmental permitting, and engineering and development activities and meet its administrative costs. The Company continues to seek capital through various means including by the issuance of debt and equity financing and the possible joint venturing of a direct interest in the Atlanta Project. The environmental legal action against AGC by two environmental interest groups and the outcome thereof have adversely affected the Company’s ability to finance its activities and operations. If the Company experiences significant delays in obtaining additional funding necessary to fund its ongoing operating and capital requirements on a timely basis, this may have a material adverse impact on the Company’s financial condition, business and plan of operations.

AGC continues to rely on the commitment and expertise of its management team, its professional advisors, employees and contractors to ensure compliance with current laws and foster a climate of open communication and co-operation with the various state and federal environmental agencies.

The Atlanta Project is a significant asset with near-term production potential. It has a considerable Indicated and Inferred resource and significant potential for additional gold deposits that are expected to 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.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

Remuneration of key management personnel during the three months ended June 30, 2013 was \$134,000 (June 30, 2012 - \$113,000). The Company also incurred \$45,000 in consulting fees for services provided by a Director for the period from January 16, 2012 to June 30, 2013. The Company received additional shareholders' loans of \$670,000 (June 30, 2012 - \$380,000) during the three months ended June 30, 2013.

Share Capital

As at August 28, 2013, the Company has 253,441,565 common shares outstanding, incentive stock options outstanding to purchase 4,105,000 common shares at prices ranging from C\$0.12 to C\$0.60 per share for terms ending between February 2014 and September 2015, and warrants outstanding to purchase 66,614,599 common shares at prices ranging from C\$0.05 to C\$0.15 per share, expiring between October 2013 and December 2016.

Accounting Policies

No new accounting policies were adopted in the first six months of 2013. The Company is presently assessing the impact of the following accounting standards which have been issued but not applied: IFRS 7, Financial Instruments: Disclosure, IFRS 9, Financial Instruments, IFRS 10, Consolidation, IFRS 13, Fair Value Measurement and IAS 1, Presentation of Financial Statements.

Uncertainties and Risk Factors

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

Financing Risk

The Company has limited financial resources and no operating cash flow. Until profitable production is achieved, the Company is dependent on debt or equity financings and / or the sale, farm-out or lease of assets to provide the funds necessary for the Company's operating and capital expenditures. The ability to obtain financing is, in addition to factors specific to the Company, subject to a number of factors beyond the control of the Company including fluctuations in gold prices and currency exchange rates and changes in the financial markets. Although the Company has been successful in the past in obtaining requisite funding, there can be no assurance that additional funding in amounts and on terms satisfactory to the Company will be available on a timely basis to fund the further exploration and development of the Atlanta Project or to fulfill its obligations under applicable agreements. Failure to obtain such funding has resulted in delay and could in the future result in the delay or indefinite postponement of further exploration and development of the Company's properties and in the possible dilution or loss of interests in such properties. If the Company raises additional funding through the issue of equity securities, such financings may dilute the holdings of the Company's existing shareholders.

Litigation Risk

The mining industry is frequently subject to legal claims, particularly with respect to environmental matters. The Company's subsidiary, AGC, has been ordered to pay a penalty in the amount of \$2,000,000 plus interest thereon by July 31, 2013. In August 2013, the parties to this litigation agreed to a five-year payment arrangement to pay this penalty. The Agreement remains subject to the entering of a Consent Judgment. While AGC expects that the Consent Judgment giving effect to the payment arrangement will be approved by the Court and AGC expects to fully comply with the terms of the payment arrangement, if AGC is unable to pay the penalty and related interest within the allotted times, the Court may impose additional financial or other sanctions, which could be significant. The U.S. Government may also take steps to enforce its security against the property and equipment to be provided by AGC as security for payment of the penalty, which could result in the loss of AGC's interest in the property and equipment. The Court's Decision, as amended, also ordered AGC to achieve compliance with the terms of the NPDES Permit regulated under the Clean Water Act by December 15, 2012. Initial results from this system, including weekly water sampling and independent lab analysis, demonstrate that the PWTF is currently removing better than 99.9% of arsenic, and approximately 99% of the iron from the water prior to discharge into Montezuma Creek. Testing of the system is continuing and there can be no assurance that full compliance will be maintained until testing has been completed and the SPOO is completed in 2014.

Exploration and Development

Exploration for gold and other minerals is highly speculative in nature, involves many risks and is frequently unsuccessful. There can be no assurance that exploration efforts will result in the discovery of additional mineralization. Existing mineral resource estimates for the Atlanta Project included herein are estimates only, and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that identified mineral resources will ultimately qualify as a commercially viable deposit that can be legally and economically exploited. In addition, the grade of mineralization which may ultimately be mined may differ from that indicated by drilling results and resource estimates and such differences could be material.

Development projects rely on the accuracy of predicted factors, including capital and operating costs, metallurgical recoveries, mineral resource and reserve estimates and, in the case of Atlanta, future prices for gold and to a lesser extent, silver. Development projects are also subject to accurate pre-feasibility or feasibility studies, the acquisition of water and land rights, including land required for necessary infrastructure relating to the development project and the issuance of necessary governmental permits. Due to the number of years and substantial expenditures required from the time of initial drilling to production, the economic feasibility of production and level of profitability may change due to changes in mineral prices, commodity prices, labour and equipment costs and/or other factors which may result in material cost overruns versus budgeted amounts.

Environmental Factors

The mining industry is subject to environmental regulation by federal, state and local authorities. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased penalties for non-compliance and more stringent environmental assessments of proposed projects. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations or result in significant costs and liabilities in the future.

Governmental Regulation and Permits

Exploration and development activities and mining operations are subject to extensive federal, state and local laws and regulations governing exploration, development, production, occupational health and safety, waste disposal, protection and remediation of the environment, reclamation, taxes and other matters. Compliance with such laws and regulations necessarily imposes costs and may result in delays in planning, designing, developing, constructing, operating, and closing mines and other facilities. There can be no assurance that future changes in such laws and regulations, if any, will not adversely affect the Company's operations. The Company's operations require licenses and permits from various governmental authorities. Obtaining these licenses and permits is a complex and time-consuming process involving numerous jurisdictions and regulatory authorities. While the Company has been successful in the past in obtaining the requisite permits and licenses, there can be no assurance that the Company will be able to obtain all necessary permits that may be required to carry out exploration, development and mining operations.

Dependence on Key Personnel, Consultants and Contractors

The Company currently has a small management group and has used a limited number of consultants and contractors, which is sufficient for the Company's present stage of activity. However, the Company is highly dependent on the principal members of its senior management group and the loss of one or more of their services could have an adverse effect on the Company's operations and future development and growth.

Capital and Operating Estimates

The Company's projected capital and operating cost estimates have been developed only to an approximate order of magnitude based on generally understood capital cost to production level relationships and they are not based on any systematic engineering studies, so the ultimate costs may vary widely from estimated amounts and may take longer than normal to optimize. As is normal at this stage of a project, data is incomplete and estimates were developed based solely on the expertise of the individuals involved. At this level of engineering, the criteria, methods and estimates are very preliminary and require a high level of subjective judgment. There can be no assurance that the Company's operating and financial estimates will be realized, and differences from actual results may be material.

Secured Indebtedness

The Company's Notes are guaranteed by AGC and secured by a mortgage on AGC's Atlanta Project and the Company's Debenture is guaranteed by AGC and is secured by a mortgage on the Monarch portion of the Atlanta Project. Should the Company fail to comply with its obligations under the Notes or the Debenture, the Noteholders or the holder of the Debenture could seek to enforce their mortgage security which could result in AGC losing its interest in the Atlanta Project or the Monarch portion of the Atlanta Project. If the holder of the Debenture elects to convert all or a portion of the Debenture into common shares of the Company or if the holders of the Notes or the holder of the Debenture elect to exercise any of the warrants held by such holders, the holdings of the Company's existing shareholders will be diluted.

Share Price Fluctuations

The securities markets in Canada and elsewhere generally, and the Company's shares specifically, have in recent years experienced a high level of price volatility. The market prices of securities of many companies, including those like the Company, considered to be development-stage companies, have experienced wide fluctuations in price which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurances that continuing fluctuations in the Company's share price will not occur.

Additional Information

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

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