Atlanta Gold Inc.

Consolidated Financial Statements

December 31, 2016

(Expressed in U.S. Dollars)

Management’s Report on the Consolidated Financial Statements

The accompanying consolidated financial statements of Atlanta Gold Inc. have been prepared by and are the responsibility of the Company’s management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and contain estimates based on management’s judgment. Management maintains a system of internal controls adequate to provide reasonable assurance that transactions are authorized, assets are safeguarded and records are maintained.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, which is comprised of three independent directors. The Audit Committee reviews the Company’s annual consolidated financial statements and recommends their approval to the Board of Directors. The Company’s auditors have full access to the Audit Committee, with and without management being present. PricewaterhouseCoopers LLP, Chartered Accountants, Licensed Public Accountants, have audited these consolidated financial statements and their report follows.

"Allan Folk"
Allan J. Folk
Director

“Peili Miao”
Peili Miao
CFO

Toronto, Ontario, Canada
April 27, 2017

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

April 28, 2017

Independent Auditor's Report

To the Shareholders of
Atlanta Gold Inc.

We have audited the accompanying consolidated financial statements of Atlanta Gold Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity and cash flow for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atlanta Gold Inc. and its subsidiaries as at December 31, 2016 and 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Financial Position
(Expressed in U.S. Dollars)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 543,717**	$ 107,559
Restricted cash (note 4)	**92,659**	559,018
Marketable securities	**-**	26,768
Recoverable taxes	**8,837**	11,188
Other receivables	**-**	4,408
Prepaid expenses	**102,078**	87,624
Total current assets	**747,291**	796,565
Exploration and evaluation assets (note 5)	**48,270,636**	47,066,168
Property, plant and equipment (note 6)	**15,161**	616,648
Intangible assets (note 7)	**115,108**	-
Total assets	**$ 49,148,196**	$ 48,479,381
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (note 14)	**$ 3,183,867**	$ 2,261,123
Other payables (note 11)	**103,452**	-
Penalty payable to U.S. Treasury (note 16)	**1,675,000**	1,725,000
Promissory note (note 9(b))	**-**	424,717
Shareholders' loans (note 14)	**1,892,891**	1,041,659
Convertible loan (note 9(d))	**658,897**	667,947
Convertible loan - embedded derivatives (note 9(d))	**96,306**	263,245
Rehabilitation provisions (notes 15 and 16)	**169,236**	157,575
Senior secured notes - current (note 9(c))	**5,833,750**	1,485,402
Senior secured notes - gold options (note 9(c))	**431,050**	-
Total current liabilities	**14,044,449**	8,026,668
Non-current liabilities		
Rehabilitation provisions (notes 15 and 16)	**965,000**	965,000
Senior secured notes (note 9(c))	**-**	4,495,957
Convertible debentures (note 9(a))	**1,419,310**	1,196,248
Convertible debentures - embedded derivatives (note 9(a))	**300,789**	397,881
Convertible debenture - gold options (note 9(a))	**190,964**	146,940
Total liabilities	**$ 16,920,512**	$ 15,228,694

Nature of operations and going concern (note 1)
Commitments and contingencies (note 16)
Subsequent events (note 17)

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

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Financial Position (continued)
(Expressed in U.S. Dollars)

	December 31, 2016	December 31, 2015
EQUITY		
Capital stock (notes 10(a)(d)(e))	**$ 90,254,906**	$ 89,813,520
Warrants	**153,359**	826,952
Contributed surplus	**10,792,032**	10,118,439
Accumulated deficit	**(55,433,299)**	(52,541,471)
Accumulated other comprehensive loss	**(14,620,980)**	(16,048,419)
Total equity attributable to Atlanta Gold Inc. shareholders	**31,146,018**	32,169,021
Non-controlling interests (note 11)	**1,081,666**	1,081,666
Total equity	**32,227,684**	33,250,687
Total liabilities and equity	**$ 49,148,196**	$ 48,479,381

Nature of operations and going concern (note 1)
Commitments and contingencies (note 16)
Subsequent events (note 17)

Approved by the Board:

"Allan Folk"	"Kenji Sakai"
Allan J. Folk	Kenji Sakai
Director	Director

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

ATLANTA GOLD INC.

(An exploration stage company)

Consolidated Statements of Loss (Income) and Comprehensive Loss

(Expressed in U.S. Dollars)

Years Ended December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
General and administrative expenses:		
Professional fees	**$ 136,780**	$ 263,834
Salaries and management fees (note 14)	**88,301**	91,507
Administrative and office	**74,656**	79,148
Investor relations	**40,775**	88,012
Travel and accommodation	**2,943**	438
	343,455	522,939
Write-down of Amity property (note 6)	**-**	570,824
Exploration and evaluation expense	**364**	946
	343,819	1,094,709
Finance items:		
Finance costs (note 9)	**843,094**	909,993
Gain on sale of marketable securities	**(45,047)**	-
Unrealized loss on marketable securities	**-**	43,465
Gain on refinancing of convertible debenture (note 9(a))	**-**	(285,775)
Accretion of convertible debentures, senior secured notes and convertible loan (notes 9(a)(c)(d))	**423,648**	509,258
Financial assets at fair value through profit or loss		
- Embedded derivatives (notes 9(a)(d))	**(313,804)**	365,368
- Gold options (notes 9(c)(d))	**83,049**	(492,374)
(Gain) loss from foreign currency transactions (note 12(b))	**1,557,069**	(8,663,654)
	2,548,009	(7,613,719)
Loss (income) before income taxes	**2,891,828**	(6,519,010)
Non-controlling interests (note 11)	**-**	(18,334)
Net loss (income)	**2,891,828**	(6,537,344)
Other comprehensive loss (income)		
Items that may subsequently be reclassified through profit and loss		
Foreign currency translation adjustment (note 12(b))	**(1,427,439)**	8,042,656
Net loss (income)and comprehensive loss for the period	**$ 1,464,389**	$ 1,505,312
Weighted average number of consolidated shares outstanding (note 13)		
Basic	**35,715,205**	26,726,059
Diluted	**35,715,205**	43,312,383
Net loss (income) per share (note 13)		
Basic	**$ 0.08**	$ (0.24)
Diluted	**$ 0.08**	$ (0.15)

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

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Cash Flow
(Expressed in U.S. Dollars)
Years Ended December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
Cash provided by (used in)		
Operating activities:		
Net (loss) income for the period	**$ (2,891,828)**	$ 6,537,344
Add (deduct) items not involving cash:		
Write-down of Amity property (note 6)	**-**	570,824
Gain on sale of marketable securities	**(45,047)**	-
Unrealized loss on marketable securities	**-**	43,465
Finance costs	**839,242**	752,532
Gain on refinancing of convertible debenture (note 9(a))	**-**	(285,775)
Financial assets at fair value through profit or loss		
- Embedded derivatives (notes 9(a)(d))	**(313,804)**	365,368
- Gold options (notes 9(c)(d))	**83,049**	(492,374)
Accretion of convertible debentures and senior secured notes (notes 9(a)(c)(d))	**423,648**	509,258
Non-controlling interests (note 11)	**-**	(18,334)
Foreign exchange	**1,530,280**	(8,592,983)
Net change in non-cash working capital	**143,777**	(226,083)
Net cash used in operating activities	**(230,683)**	(836,758)
Financing activities:		
Loans from shareholders	**750,000**	65,029
Proceeds from senior secured notes	**-**	600,000
Proceeds from convertible debentures	**-**	397,399
Proceeds from Neal Development financing (note 11)	**-**	1,100,000
Proceeds from share issuances (note 10(e))	**441,386**	142,373
Net cash from financing activities	**1,191,386**	2,304,801
Investing activities:		
Exploration and evaluation asset	**(843,121)**	(895,223)
Payment of rehabilitation provisions	**(3,116)**	(91,923)
Property, plant and equipment	**(102,579)**	161,326
Sale of marketable securities	**73,020**	-
Intangible assets	**(115,108)**	-
Net cash used in investing activities	**(990,904)**	(825,820)
(Decrease) Increase in cash and cash equivalents	**(30,201)**	642,223
Cash and cash equivalents, beginning of year	**666,577**	24,354
Cash and cash equivalents, end of year	**$ 636,376**	$ 666,577
Cash and cash equivalents	**$ 543,717**	$ 107,559
Restricted cash (note 4)	**92,659**	$ 559,018
Interest paid	**$ 2,015**	$ 56,819

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

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Cash Flow (continued)
(Expressed in U.S. Dollars)
Years Ended December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
Net change in non-cash working capital items		
Recoverable taxes	**$ 2,351**	$ (579)
Other receivables	**4,408**	(4,408)
Prepaid expenses	**(14,454)**	(25,208)
Accounts payable and accrued liabilities	**98,020**	(320,888)
Other payables	**103,452**	-
Penalty payable to U.S. Treasury	**(50,000)**	125,000
	$ 143,777	$ (226,083)
Significant non-cash financing and investing activities		
Capitalized depreciation (note 6)	**$ 284,349**	$ 454,273
Change of estimate of rehabilitation provisions (note 15)	**(13,216)**	(14,643)
Warrants issued as finance costs (note 10(b))	**-**	17,560

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

ATLANTA GOLD INC.

(An exploration stage company)
Consolidated Statements of Changes in Equity
(Expressed in U.S. Dollars, except for shares and per share amounts)
Years Ended December 31, 2016 and 2015

	Number of Shares (adjusted for share consolidation)	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
Balance - January 1, 2015	26,604,837	$ 89,671,149	$ 1,000,109	$ 9,927,722	$(59,078,815)	$ (8,005,763)	$ -	$ 33,514,402
Shares issued								
- at C$0.069 per common share, net of share issue costs	2,950,000	142,371	-	-	-	-	-	142,371
Compensation warrants issued on issuance of convertible debentures (note 10(b))	-	-	17,560	-	-	-	-	17,560
Warrants expiring unexercised (note 10(b))	-	-	(190,717)	190,717	-	-	-	-
Net income for the period	-	-	-	-	6,537,344	-	-	6,537,344
Foreign currency translation adjustment	-	-	-	-	-	(8,042,656)	-	(8,042,656)
Non-controlling interests	-	-	-	-	-	-	1,081,666	1,081,666
Balance - December 31, 2015	29,554,837	$ 89,813,520	$ 826,952	$ 10,118,439	$(52,541,471)	$(16,048,419)	$ 1,081,666	$ 33,250,687

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

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Changes in Equity (continued)
(Expressed in U.S. Dollars, except for shares and per share amounts)
Years Ended December 31, 2016 and 2015

	Number of Shares (adjusted for share consolidation)	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
Balance - January 1, 2016	29,554,837	$ 89,813,520	$ 826,952	$ 10,118,439	$(52,541,471)	$(16,048,419)	$ 1,081,666	$ 33,250,687
Shares issued - at C$0.069 per common share, net of share issue costs (note 10(b))	1,750,000	80,382	-	-	-	-	-	80,382
Shares issued - at C$0.07 per common share, net of share issue costs (note 10(b))	7,143,171	361,004	-	-	-	-	-	361,004
Warrants expiring unexercised (note 10(b))	-	-	(673,593)	673,593	-	-	-	-
Net loss for the period	-	-	-	-	(2,891,828)	-	-	(2,891,828)
Foreign currency translation adjustment	-	-	-	-	-	1,427,439	-	1,427,439
Balance - December 31, 2016	38,448,008	$ 90,254,906	$ 153,359	$ 10,792,032	$(55,433,299)	$(14,620,980)	$ 1,081,666	$ 32,227,684

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

1. Nature of operations and going concern

Atlanta Gold Inc. (the "Company") was incorporated on March 6, 1985 under the laws of British Columbia and continued into Ontario on March 15, 2000. The Company is domiciled in Canada and its registered head office is 5600 – First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1C9. Its common shares are listed on the TSX Venture Exchange (the "Exchange") trading under the symbol "ATG", and on the OTC Pink Market under the symbol "ATLDF".

The Company's primary property is its Atlanta Gold Property ("Atlanta"), located in Idaho, U.S.A. Atlanta is in the advanced exploration phase. The Company also holds a leasehold interest on five patented lode claims known as the Neal Property and staked an additional seven contiguous claims on public land that were open to mineral entry, also located in Idaho, U.S.A.

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they become due. As at December 31, 2016, the Company had a deficit of $55,433,299 and no source of operating cash flows. The Company's current liabilities exceeded its current assets by $13,297,158 as of December 31, 2016. The Company's wholly owned subsidiary, Atlanta Gold Corporation ("AGC"), failed to make partial environmental penalty payments due on June 30, 2015, September 30, 2015, December 31, 2015, March 31, 2016, June 30, 2016, September 30, 2016 and December 31, 2016 on time in the total amount of $625,000 as of December 31, 2016. Idaho Conservation League and the Northwest Environmental Defense Center have submitted pleadings to reopen a previously closed case in the U.S. District Court in Idaho in which AGC was the defendant. These parties filed a Motion to Hold Defendant in Civil Contempt, and Impose Additional Penalties and Enforcement Remedies which among other things, alleges that AGC violated its National Pollutant Discharge Elimination System ("NPDES") permit. The interest payments due April 1, 2016 on the Company's outstanding debentures in the amount of C$182,925 remain unpaid. In addition, payments of principal and interest on the Company's outstanding notes in the aggregate amount of $2,617,500 became due on August 31, 2016 and remain unpaid. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. On March 29, 2017, the Company reached agreements to issue a total of 26,390,000 common shares for aggregate consideration of C$2,375,100 to Jipangu Inc. (note 17). In view of these circumstances, despite the subscription agreement with Jipangu Inc., the Company requires additional financing to settle its existing liabilities and to complete its planned exploration and evaluation program on Atlanta and the Neal Property, and will continue to explore financing alternatives to raise capital. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms or that the Company will achieve profitable operation.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. These adjustments could be material.

2. Basis of preparation

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Handbook of the Canadian Institute of Chartered Accountants. The consolidated financial statements have been prepared under the historical cost method, except for certain financial instruments measured at fair value.

The significant accounting policies and methods adopted set out in note 3 have been applied to all periods presented in these consolidated financial statements. Significant accounting judgments and estimation uncertainties used by management in the preparation of these consolidated financial statements are presented in note 3.

These consolidated financial statements were approved by the board of directors for issue on April 27, 2017.

3. Significant accounting policies

The significant accounting policies used in the preparation of these consolidated financial statements are described below and have been applied consistently to all periods presented in these consolidated financial statements.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the embedded derivatives resulting from conversion options embedded in the convertible debentures, the gold options issued as part of senior secured notes, the convertible loan repayable by gold and the gold options issued as part of convertible loan which were fair valued.

Consolidation

The financial statements consolidate the accounts of the Company, and its wholly owned subsidiaries, AGC and Mineral Point, LLC ("Mineral Point") and the Company's non-wholly owned, controlled subsidiary, Neal Development, LP ("Neal Development") and HydroClean Resources, LP ("HydroClean"). Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and deconsolidated from the date that control ceases. Intercompany transactions, balances, income and expenses, and profits and losses are eliminated.

For the non-wholly owned, controlled subsidiary, the net assets attributable to outside limited partners are presented as "non-controlling interests" in the equity section of the consolidated balance sheet. Profit or loss for the period that is attributable to non-controlling interests is calculated based on the ownership of the minority limited partners in the subsidiary.

Functional currency

The functional currency of the Company is Canadian dollars and the functional currency of AGC, Mineral Point and Neal Developments is U.S. dollars. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

All financial information is presented in U.S. dollars unless otherwise stated.

3. Significant accounting policies (continued)

Functional currency (continued)

(i) Presentation currency
The financial statements of entities that have a functional currency different from the presentation currency are translated into United States dollars as follows: assets and liabilities at the closing rate at the date of the statement of financial position, and income and expenses at the average rate of the period (as this is considered a reasonable approximation of the actual rates prevailing at the transaction dates). Equity balances have been translated at historical rates. All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

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

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

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

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

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

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

3. Significant accounting policies (continued)

Financial instruments (continued)

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

(iii) Financial liabilities at amortized cost: Financial liabilities at amortized cost include trade payables, senior secured notes, promissory note, shareholders' loans, penalty payable to U.S. Treasury and convertible debentures and are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

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

Impairment of financial assets

The Company assesses, at each date of the statement of financial position, whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

Financial assets are carried at amortized cost. The loss is the difference between the amortized cost of the asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate.

Reversals of impairment losses on financial assets carried at amortized cost are recorded through the statement of loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized.

Property, plant and equipment

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate assets (major components) of property, plant and equipment. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate. Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of loss (income) and comprehensive loss. The major categories of property, plant and equipment are depreciated on a straight-line basis as follows: a) The office furniture, fixtures, and equipment are amortized over ten years; and b) vehicles and computer hardware are depreciated over three years. All property, plant, and equipment are depreciated on a straight-line basis.

3. Significant accounting policies (continued)

Exploration and evaluation asset

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

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

Intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique water treatment facility technology controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the technology so that it will be available for use
- management intends to complete the technology and use or sell it
- there is an ability to use or sell the technology
- it can be demonstrated how the technology will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the technology are available, and
- the expenditure attributable to the technology during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the technology include costs to develop the patent and an appropriate portion of relevant overheads. The technology is internally generated and assessed as indefinite.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Costs associated with maintaining the patent is recognised as an expense as incurred. research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Impairment of non-financial assets

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

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

3. Significant accounting policies (continued)

Current and deferred income tax

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

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

Share capital

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

Net loss (income) per share

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

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

Share-based payment

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

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

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

3. Significant accounting policies (continued)

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

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

Rehabilitation provisions
The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

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

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

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

New and amended accounting standards adopted
The Company has implemented as at January 1, 2015 IFRS 9, Financial Instruments (replaced IAS 39) for classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial recognition. IFRS 9 is effective of annual periods beginning on or after January 1, 2018. The early adoption of the expected credit loss impairment model did not have a significant impact on the Company's financial statements.

3. Significant accounting policies (continued)

Accounting standards issued but not yet applied
The following new standards, new interpretations and amendments to standards and interpretations have been issued but are effective for financial years beginning January 1, 2016 or after and have not been early adopted. Pronouncements that are not applicable to the Company have been excluded from those described below. The Company does not expect significant impacts upon adoption of the following standards.

i) IFRS 15 Revenue from Contracts with Customers, was issued in May 2014 and replaces the previous guidance on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The standard provides a single, principles based, five step model to be applied to all contracts with customers. The Company is currently evaluating the impact of the adoption of this new standard on its financial statements.

ii) IFRS 16 - Leases - The standard on leases was issued in January 2016 and is effective for annual reporting periods beginning on or after January 1, 2019 for public entities with early adoption permitted, provided IFRS 15 has been applied or is applied at the same date as IFRS 16. The standard requires lessees to recognize assets and liabilities for most leases. The Company is assessing the impact of this standard, along with timing of adoption of IFRS 16.

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

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

(i) Valuation of exploration and evaluation assets and other long lived assets
Exploration and evaluation assets and other long lived assets are reviewed and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Common indicators of impairment in the mining industry include:

- No further expenditure is budgeted or planned;
- Exploration for and evaluation of mineral resources has not led to the discovery of commercially viable quantities of mineral resources and a decision to discontinue such activities has been made;
- A significant deterioration in expected future commodity prices;
- A significant adverse movement in foreign exchange rates;
- A significant increase in production costs;
- A large cost overrun during the development and construction of a new mine;
- A significant increase in the expected cost of dismantling assets and restoring the site;
- A significant reduction in the mineral content of ore reserves/resources;
- A significant increase in market interest rates; and

3. Significant accounting policies (continued)

Significant accounting judgments and estimation uncertainties (continued)

- Adverse changes in government regulations and environmental law, including a significant increase in the taxes payable by the mine.

As at December 31, 2016, the Company determined that there were no indicators of impairment in carrying values of mining properties or any other long lived assets or cash generating units (CGU) except for the property, plant and equipment. (note 6)

(ii) Calculation of share-based compensation expense

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

(iii) Income taxes

Income taxes are calculated using the liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantially enacted tax rates that are expected to be in effect when the differences are expected to reverse or losses are expected to be utilized. Deferred tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, including forecasts, it is probable that they will be realized.

(iv) Convertible debentures

The fair value of the convertible debentures and their conversion components were estimated by using a range of fair values based on the valuation of the convertible debentures, the convertible debentures without the conversion option, the call option, as well as an expectation of an upper and lower end of a credit spread and a fair value calculation using risk statistics for convertible bonds. The calculation included time varying call options as well as soft calls, forced conversion at maturity, cash payments on conversion and capped conversion price, using a function of finite difference methods. (note 9(a))

(v) Senior secured notes and convertible loan - gold options and embedded derivatives

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options. (note 9(c))

Embedded derivatives, including the conversion option, call option and gold forward were estimated by using a range of fair values based on the valuation of the convertible loan, the convertible loan without the conversion option, the call option, as well as an expectation of an upper and lower end of a credit spread and a fair value calculation using risk statistics for convertible bonds. The calculation included time varying call options as well as soft calls, forced conversion at maturity, cash payments on conversion and capped conversion price, using a function of finite difference methods. (note 9(d))

3. Significant accounting policies (continued)

Significant accounting judgments and estimation uncertainties (continued)

(vi) Rehabilitation provisions

The Company has obligations for implementing measures to maintain compliance with the effluent discharge limits on Atlanta and restoration related to diamond properties located on Baffin Island. The future obligations are estimated by the Company using the Company's budget. As the estimate of obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of provisions.

The Company's policy for recording implementing measures and restoration is to establish provisions using the most probable estimate of the future costs.

4. Restricted cash

Cash and cash equivalents, in the amount of $92,337, held by Neal Development, LP are contractually not available for general corporate purposes, except for amounts as provided for in the partnership agreement governing profit distribution and fees to be paid to the Company for processing, general, administrative and other services to Neal Development. (note 11)

Cash and cash equivalents, in the amount of $322, held by HydroClean are contractually not available for general corporate purposes. (note 11)

5. Exploration and evaluation assets

	Atlanta Gold Property	Neal Property	Total
Balance at January 1, 2015:	$ 45,767,595	$ 54,368	$ 45,821,963
Additions	1,027,217	216,988	1,244,205
Balance at December 31, 2015	46,794,812	271,356	47,066,168
Additions	736,468	468,000	1,204,468
Balance at December 31, 2016	$ 47,531,280	$ 739,356	**$ 48,270,636**

5. Exploration and evaluation assets (continued)

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

Atlanta was initially held as a joint venture between AGC with an 80% interest and Canadian American Mining Company, LLC ("CAMC") with a 20% participating interest. CAMC transferred its 20% participating interest in the joint venture to AGC, and retained a 2% NSR royalty (the "Royalty") on Atlanta. In September 2009, the Company purchased one-half of the Royalty (1%) from CAMC.

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

(a) Monarch Greenback LLC

On April 28, 2011, AGC exercised its option to purchase a 100% interest in a property comprised of 33 mining claims totaling approximately 430 acres (the "Monarch Property") from Monarch Greenback LLC ("Monarch") for $3,075,000. Monarch retained a variable net smelter return royalty, varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding $665 per ounce. As at December 31, 2016, advance royalty payments of $1,500,000 had been paid by AGC to Monarch and will be deducted from future royalty payments to Monarch.

(b) 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.

(c) F. C. Gardner

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. Lease payments are currently $10,000 per year and are treated as minimum annual advance royalties. If these claims go into commercial production before expiry of the lease, then the annual minimum advance royalty will be $20,000. If this property is mined, F. C. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at December 31, 2016, advance royalty payments of $228,500 (December 31, 2015 - $218,500) have been made and will be deducted from any future royalty payments to F. C. Gardner.

(d) Hollenbeck Properties LLC

AGC leases 10 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease has been extended to November 14, 2017. The Company is in the process of negotiating the purchase of the properties. Lease payments of $10,000 per year are treated as minimum advance royalties. If this property goes into commercial production, then the annual minimum advance royalty will be $20,000. If it is mined, Hollenbeck will receive a 4.25% NSR, from which all advance royalty payments shall be deducted. As at December 31, 2016, advance royalty payments of $342,500 (December 31, 2015 - $332,500) 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 Atlanta. Advance royalty payments to lessors are credited against future royalty payments payable on production. As at December 31, 2016, advance royalty payments totaling $2,071,000 (December 31, 2015 - $2,051,000) will be deducted from any future royalty payments to lessors / royalty holders.

5. Exploration and evaluation assets (continued)

Neal Property, Idaho, U.S.A.
AGC holds a lease expiring July 2020 of 5 patented claims known as the Neal Property and has staked an additional seven contiguous claims on public land that were open to mineral entry. The annual lease payments consist of a $3 per dry ton royalty and a 3% net smelter return royalty, with a minimum annual payment of $10,000. As at December 31, 2016, advance royalty payments of $25,000 have been made which will be deducted from future lease payments and/or production/royalty payments.

In February 2015, AGC formed Mineral Point, LLC, an Idaho limited liability company to be the General Partner of Neal Development, LP, an Idaho limited partnership, with Neal Development, LP to be used to explore the Neal Property.

Mineral Point, LLC is the General Partner of Neal Development, LP and holds 100 units of the partnership. In June 2015, Neal Development, LP completed an initial financing for proceeds of $1,100,000 and 44 units were subscribed for. Neal Development, LP commenced exploration activity in mid-July, 2015. (note 11)

6. Property, plant and equipment

	Land	Building, Field Equipment and Other	Total
At January 1, 2015:			
Cost	$ 916,523	$ 3,393,752	$ 4,310,275
Accumulated depreciation	-	(2,733,009)	(2,733,009)
Opening Net Book Value at January 1, 2015	916,523	660,743	1,577,266
Year ended December 31, 2015:			
Opening Net Book Value at January 1, 2015	916,523	660,743	1,577,266
Additions	36,204	86,061	122,265
Written-down	(570,824)	-	(570,824)
Disposals	-	(76,544)	(76,544)
Disposals - accumulated depreciation reversal	-	18,758	18,758
Depreciation	-	(454,273)	(454,273)
Closing Net Book Value at December 31, 2015	$ 381,903	$ 234,745	$ 616,648

6. Property, plant and equipment (continued)

	Land	Building, Field Equipment and Other	Total
At January 1, 2016:			
Cost	$ 381,903	$ 3,403,269	$ 3,785,172
Accumulated depreciation	-	(3,168,524)	(3,168,524)
Opening Net Book Value at January 1, 2016	381,903	234,745	616,648
Period ended December 31, 2016:			
Opening Net Book Value at January 1, 2016	381,903	234,745	616,648
Additions	-	107,579	107,579
Disposals	(381,903)	(81,005)	(462,908)
Disposal depreciation reversal	-	38,191	38,191
Depreciation	-	(284,349)	(284,349)
Closing Net Book Value at December 31, 2016	$ -	$ 15,161	$ 15,161
At December 31, 2016:			
Cost	$ -	$ 3,429,843	$ 3,429,843
Accumulated depreciation	-	(3,414,682)	(3,414,682)
Closing Net Book Value at December 31, 2016	**$ -**	**$ 15,161**	**$ 15,161**

All depreciation charges during the years ended December 31, 2016 and 2015 were capitalized to exploration and evaluation assets. The Amity Road property located in Boise, Idaho was disposed as of December 31, 2016 following the foreclosure on the mortgage on that property in May 2016. (note 9(b))

As of December 31, 2016, AGC's four generators on the East Amity Road property and an excavator have security interests against them (notes 14 and 16).

7. Intangible assets

HydroClean Resources, LP	Organizational Costs	Patent Developing Costs	Total Intangible Costs
January 1, 2015	$ -	$ -	$ -
December 31, 2015	$ -	$ -	$ -

HydroClean Resources, LP	Organizational Costs	Patent Developing Costs	Total Intangible Costs
January 1, 2016	$ -	$ -	$ -
Additions	2,004	113,104	115,108
December 31, 2016	$ 2,004	$ 113,104	$ 115,108

All the costs incurred have been capitalized as Intangible assets and organizational costs when the patent is being developed in HydroClean. (note 11)

8. Income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the effective tax rate is as follows:

For the years ended	December 31, 2016	December 31, 2015
Computed income tax at Canadian statutory tax rates	$ (750,798)	$ 1,713,844
Permanent differences	84,742	35,725
Share issue costs	7,827	30,278
Unrealized foreign exchange	497,444	(2,879,770)
Foreign tax rate differential	11,518	(46,404)
Other	149,267	1,146,327
Income tax recovery	$ -	$ -

The Company's statutory tax rate was 26.50% in 2016 and 2015.

8. Income taxes (continued)

The tax effect of temporary differences of the Company that give rise to significant portions of deferred income tax assets and deferred income tax liabilities are presented below.

	December 31, 2016	December 31, 2015
Deferred income tax assets		
Property, plant and equipment	$ -	$ 378,246
Non-capital loss carry forwards	3,100,521	3,207,734
Exploration and evaluation assets	799,449	775,513
Total deferred income tax assets	3,899,970	4,361,493
Deferred income tax liabilities		
Inter-company accounts	(1,922,200)	(2,073,042)
Exploration and evaluation assets	(1,977,770)	(1,838,860)
Senior secured notes	-	(442,497)
Marketable securities	-	(7,094)
Total deferred income tax liabilities	(3,899,970)	(4,361,493)
Net deferred tax	$ -	$ -

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred tax assets of $13,383,493 as at December 31, 2016 (December 31, 2015 - $7,914,095) on the non-capital losses, capital losses, property, plant and equipment, exploration and evaluation assets, assets retirement obligations, cumulative eligible capital and share issuance costs.

Accumulated Canadian tax losses not recognized expire as per the amount and the years noted below. Deferred tax assets have not been recognized in respect of these items as the Company is unable to control the timing of when future taxable profit will be available against which the Company can utilize the benefit of the losses.

8. Income taxes (continued)

The following table summarized the Company's non-capital losses (not recognized) that can be applied against future taxable profit:

Years Generated	Expiry Date	Amount
2006	2026	C$2,193,041
2007	2027	1,602,289
2008	2028	2,016,811
2009	2029	1,492,863
2010	2030	1,375,788
2011	2031	1,814,346
2012	2032	606,389
2013	2033	1,542,473
2014	2034	1,728,660
2015	2035	1,430,261
2016	2036	1,353,386
Non-Capital Losses		**C$17,156,307**

The Company has capital losses of C$3,951,124 which can be carried forward indefinitely.

AGC has U.S. loss carry-forwards of approximately $6,568,042 expiring between 2017 and 2035, which are available to reduce future United States taxable income. The Company has not paid any income taxes during the last three taxation years.

9. Convertible debentures, promissory note, senior secured notes and convertible loan

(a) Convertible debentures

	Face value C$	Host debt Amortized costs	Embedded Derivatives Fair value	Gold option Fair Value
Debenture - December 2011 - refinanced	$ -	$ -	$ -	$ 190,964
Amended debenture - April 2015	1,500,000	1,074,848	220,089	-
Additional debenture - August 2015	550,000	344,462	80,700	-
Total	**$ 2,050,000**	**$ 1,419,310**	**$ 300,789**	**$ 190,964**

9. Convertible debentures, promissory note, senior secured notes and convertible loan (continued)

(a) Convertible debentures (continued)

In connection with the purchase of the Monarch Property, the Company issued to Concept Capital Management Ltd. ("CCM") in December 2011 a 6% convertible debenture (the "Debenture") in the principal amount of C$3 million having a five-year term. The Company and AGC also entered into a gold option agreement pursuant to which CCM received an option to purchase an aggregate of 4,000 troy ounces of gold produced from Atlanta, at a price of $1,400 per ounce. The option will vest after AGC has completed production of 20,000 troy ounces from Atlanta and will be exercisable for five years from the date of vesting.

By notice dated August 25, 2014, CCM requested that the Company redeem the Debenture on December 15, 2014, in accordance with the Debenture's early redemption provisions, which permitted CCM to request redemption at any time after December 14, 2014.

On April 1, 2015, the Company reached agreement with CCM to refinance the Debenture (the "Refinancing") which was completed on August 26, 2015. Under the terms of the Refinancing, principal and accrued interest on the Debenture totaling C$3,250,000 were satisfied by the issuance to CCM of an amended and restated convertible debenture in the principal amount of C$1,500,000 (the "Amended Debenture") and the issuance to CCM of the Company's Senior Secured Notes in the principal amount of $1,500,000 (note 9(c)). $285,775 of gain on Refinancing was recognized to statement of loss (income) and comprehensive loss for the year ended December 31, 2015. The Amended Debenture bears interest of 10% per annum from April 1, 2015, matures April 1, 2018 and is convertible at CCM's option at a conversion price of C$0.10 per consolidated common share. Pursuant to the terms of the Refinancing, the Amended Debenture and the security thereon rank equally with the Company's Senior Secured Notes. The Amended Debenture and the Senior Secured Notes are secured by the limited recourse guarantee of AGC and by a mortgage of AGC's interest in Atlanta.

The issuance of the Amended Debenture to CCM and the consolidation of the Company's common shares on a one for ten basis (as required pursuant to the terms of the Refinancing) were each approved by shareholders of the Company at the annual and special meeting of shareholders held on June 24, 2015 and the consolidation became effective on June 25, 2015.

The Amended Debenture involves two components: host debt and conversion options. The principal face value was allocated as follows:

i) Conversion options were valued at C$122,211 as of April 1, 2015 and classified as non-current liability. The fair value of the conversion options was valued at C$295,501 ($220,089) as at December 31, 2016 (December 31, 2015 - C$402,952 ($291,133)).

ii) The host debt of C$1,183,150 was recorded as non-current liability at its initial fair value at the date of inception as of April 1, 2015 and subsequently measured at amortized cost as of December 31, 2016. The accretion interest has been charged to statement of loss (income) and comprehensive loss.

Assumptions used for the valuation:

The Amended Debenture components were measured at fair value using the following methods:

The fair value of the Amended Debenture and its conversion rights were estimated by using a range of fair values based on the valuation of the Amended Debenture, the Amended Debenture without the conversion option, as well as an expectation of an upper and lower end of a credit spread and a fair value calculation using risk statistics for convertible bonds.

9. Convertible debentures, promissory note, senior secured notes and convertible loan (continued)

(a) Convertible debentures (continued)

The inputs were as follows:
i) Historical stock price as at the valuation date of C$0.05 as adjusted for the consolidation
ii) Volatility of the stock return adjusted to reflect the actual implied stock volatility of 287.85%
iii) Bond discount curve

Concurrently with the completion of the Refinancing, on August 26, 2015, the Company completed a private placement for an additional C$550,000 (converted into $397,399 as at December 31, 2015) principal amount convertible debentures (the "Additional Debentures") which rank equally with and have the same terms as the Amended Debenture, except that interest on the Additional Debentures accrues from the date of completion of the private placement. The Additional Debentures are secured in the same manner and rank equally in all respects with the Amended Debenture and the Senior Secured Notes. In connection with the issuance of the Additional Debentures, the Company paid a finder's fee of 192,000 warrants to Golden Capital Consulting Ltd. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of C$0.10 at any time prior to April 1, 2018. (note 10(b))

The Additional Debentures involve two components: host debt and conversion options. The principal face value was allocated as follows:
i) Conversion options were valued at C$155,403 as of August 26, 2015 and classified as non-current liability. The fair value of the conversion options was valued at C$108,351 ($80,700) as at December 31, 2016 (December 31, 2015 - C$147,749 ($106,749)).
ii) The host debt of C$394,597 was recorded as non-current liability at its initial fair value at the date of inception as of August 26, 2015 and subsequently measured at amortized cost as of December 31, 2016. The accretion interest has been charged to statement of (income) loss and comprehensive loss.

Assumptions used for the valuation:
The Amended Debenture components were measured at fair value using the following methods:
The fair value of the Amended Debenture and its conversion rights were estimated by using a range of fair values based on the valuation of the Amended Debenture, the Amended Debenture without the conversion option, as well as an expectation of an upper and lower end of a credit spread and a fair value calculation using risk statistics for convertible bonds.

The inputs were as follows:
i) Historical stock price as at the valuation date of C$0.06
ii) Volatility of the stock return adjusted to reflect the actual implied stock volatility of 273.9%
iii) Bond discount curve

The interest payments due April 1, 2016 on the Company's outstanding debentures in the amount of C$182,925 remain unpaid. So long as the Event of Default is continuing, interest on the principal amount outstanding is payable at the rate of 12% per annum. To date, no notice of default has been received as per the terms of the debentures and hence only the interest is due as at December 31, 2016. Discussions are ongoing with the debenture holders to settle the interest.

9. Convertible debentures, promissory note, senior secured notes and convertible loan (continued)

(b) Promissory note

On August 4, 2011, AGC financed the acquisition of the East Amity Road Property by a combination of cash, equity and a three year promissory note secured by a mortgage on the property in the amount of $425,000 bearing interest of 7% per annum. The maturity date of the promissory note was subsequently extended to July 22, 2015. AGC subsequently defaulted on monthly interest payments. The mortgage was foreclosed upon in May 2016 and the promissory note was extinguished upon completion of the foreclosure.

(c) Senior secured notes

	Face value	Host debt Amortized costs Current	Gold options Fair value Current	Gold options Ounces
Initial notes - August 2013	$ 4,000,000	$ 3,836,118	$ 282,654	4,180.0
Refinanced note - April 2015	1,500,000	1,427,993	105,997	1,567.5
New note - May 2015	600,000	569,639	42,399	627.0
Total	**$ 6,100,000**	**$ 5,833,750**	**$ 431,050**	**6,374.5**

On August 19, 2013, the Company completed the private placement of Units consisting of senior secured notes ("Notes") and common share purchase warrants ("Warrants"). The Company issued $4 million principal amount Notes and 4,000,000 Warrants, for gross proceeds of $4,000,000. The Notes are secured by the limited recourse guarantee by AGC, and by a mortgage of AGC's interest in Atlanta and following completion of the Refinancing, rank equally with the Amended Debenture and the Additional Debentures.

On August 26, 2014, the terms of the Notes were amended. The original repayment dates were extended by one year, such that the principal amount of the Notes, amortized at 25%, 35% and 40%, became repayable in cash installments on August 31, 2015, August 31, 2016 and August 31, 2017, respectively and interest accrued on the Notes to August 31, 2014 was satisfied by the issuance of common shares of the Company, at the rate of one common share for each C$0.05 of accrued interest, which resulted in the issuance of 9,006,692 common shares (900,669 consolidated common shares for each C$0.50 of accrued interest).

Under the terms of the Refinancing, the Company, AGC and the holders of the Notes agreed to further extend the maturity date of the Notes by an additional year to August 31, 2018, to be repayable in cash installments at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively. To date, the 25% installment payment due August 31, 2016 has not been paid.

Warrants issued as part of the original financing are currently outstanding to purchase 400,000 consolidated common shares at an exercise price of C$1.00 until August 31, 2017. The Company has the right to accelerate the expiry date of the Warrants if the closing price of the Company's common shares on the Exchange exceeds C$2.50 per consolidated common share for 20 consecutive days on which the Company's shares trade.

9. Convertible debentures, promissory note, senior secured notes and convertible loan (continued)

(c) Senior secured notes (continued)

Purchasers of the Notes initially received options exercisable until August 31, 2016 to purchase an aggregate of 95.0 troy ounces of gold at $1,125 per ounce for each 100,000 Units purchased ($100,000). The gold options were subsequently amended such that currently, the options are to purchase 104.5 ounces (per $100,000 Notes) at $1,100 per ounce until August 31, 2018. The gold options vest at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively. As part of the Refinancing, CCM received an option to purchase an aggregate of 1,567.5 troy ounces of gold at $1,100 per ounce (being 104.5 troy ounces for each $100,000 principal amount Notes), expiring August 31, 2018, with the option vesting at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively.

The Notes involve three components: host debt, warrants and gold options. The principal face value was allocated as follows on August 19, 2013 ("Measurement date"):

(i) Warrants (4,000,000 units) were valued at $45,121 (C$47,946) using a model based on a binomial pricing model with the key inputs as follows:

Stock price at date of issue	C$0.03
Estimated volatility in the market price of the common shares	90.44%
Shares outstanding on date of issue	253,441,565

(ii) Gold options were originally valued at $841,307 in total at the Measurement date and subsequently valued at fair market value to reflect the amended terms of the gold options. 25% of the total gold options vested on August 31, 2016, 35% will vest on August 31, 2017 and 40% will vest on August 31, 2018. The key inputs on the gold options are gold price, convenience yield of gold and implied volatility of gold. The fair value of the gold options was valued at $282,654 as at December 31, 2016 (December 31, 2015 - $251,099).

(iii) The residual value of the host debt was $3,110,747 which was recorded as a current liability of $778,393 and a non-current liability of $2,335,179 at its initial fair value at the date of inception as of August 19, 2013 and subsequently measured at amortized costs as at December 31, 2016. The amortized costs of the host debt were $3,836,118 which was recorded as a current liability as at December 31, 2016. (December 31, 2015 - host debt of $3,718,466 including current liability of $1,000,000 and non-current liability of $2,718,466)

Notes in the principal amount of $1,500,000 issued in connection with the Refinancing (note 9(a)) involve two components: host debt and gold options. The principal face value was allocated as follows on April 1, 2015 ("Measurement date"):

(i) Gold options were originally valued at $212,955 in total at the Measurement date and subsequently valued at fair market value to reflect the amended terms of the gold options. 25% of the total gold options vested on August 31, 2016, 35% will vest on August 31, 2017 and 40% will vest on August 31, 2018. The key inputs on the gold options are gold price, convenience yield of gold and implied volatility of gold. The fair value of the gold options was valued at $105,997 as at December 31, 2016 (December 31, 2015 - $94,162).

9. Convertible debentures, promissory note, senior secured notes and convertible loan (continued)

(c) Senior secured notes (continued)

(ii) The residual value of the host debt was $1,283,609 which was recorded as a current liability of $320,902 and a non-current liability of $962,707 at its initial fair value at the date of inception as of at the date of inception as of April 1, 2015 and subsequently measured at amortized costs. The amortized costs of the host debt were $1,427,993 which was recorded as a current liability as at December 31, 2016. (December 31, 2015 - host debt of $1,345,354 including current liability of $347,374 and non-current liability of $997,980)

In May 2015, CCM purchased additional Notes in the principal amount of $600,000 with an effective issue date of April 1, 2015. The additional Notes involve two components: host debt and gold options. The principal face value was allocated as follows on May 11, 2015 ("Measurement date"):

(i) Gold options were originally valued at $89,023 in total at the Measurement date and subsequently valued at fair market value to reflect the gold options. 25% of the total gold options vested on August 31, 2016, 35% will vest on August 31, 2017 and 40% will vest on August 31, 2018. The key inputs on the gold options are gold price, convenience yield of gold and implied volatility of gold. The fair value of the gold options was valued at $42,399 as at December 31, 2016 (December 31, 2015 - $37,665).

(ii) The residual value of the host debt was $510,977 which was recorded as a current liability of $127,744 and a non-current liability of $383,233 at its initial fair value at the date of inception as of at the date of inception as of May 11, 2015 and subsequently measured at amortized costs. The amortized costs of the host debt were $569,639 which was recorded as a current liability as at December 31, 2016. (December 31, 2015 - host debt of $534,613 including current liability of $138,028 and non-current liability of $396,585)

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

Payments of principal and interest on the Company's outstanding notes in the aggregate amount of $2,617,500 became due on August 31, 2016 and remain unpaid. The Notes are in default and thus classified as current liabilities and discussions are ongoing with noteholders to settle the interest and extend the principal repayments by one year.

9. Convertible debentures, promissory note, senior secured notes and convertible loan (continued)

(d) Convertible loan

	Face value	Host debt Gold payments Amortized costs	Gold options Fair value	Embedded Derivatives Fair value
Convertible loan - June 2014	$ 600,000	$ 600,000	$ 58,897	$ 96,306

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 18-month period. The loan is convertible at the lender's election into common shares at a conversion price of C$0.50 per consolidated common share during the initial 12 months and at C$1.00 per consolidated common share thereafter. The lender also received a 5-year option to purchase, solely from gold produced from AGC's Neal Property, up to 2,500 ounces of gold at $1,400 per ounce.

The loan involves three components: host debt, embedded derivatives and gold options. The three components are valuated at fair market value on June 11, 2014 ("Measurement date") as follows:

(i) The host debt at the measurement date was valued at $182,321. The value of the host debt at December 31, 2016 is $600,000 (December 31, 2015 is $600,000).

(ii) Embedded derivatives, including the conversion option, call option and gold forward were valued at $184,629 at the Measurement date. These features were valued together as their values are interdependent. The fair values of the embedded derivatives at December 31, 2016 is $96,306 (December 31, 2015 is $263,245).

(iii) Gold options were valued at $233,050 in total at the Measurement date. The key inputs on the gold options are gold price, risk-free interest rate and implied volatility of gold. The value of the gold options at December 31, 2016 is $58,897 (December 31, 2015 is $67,947).

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

10. Share capital

(a) Authorized share capital

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

(b) Warrants

The following table summarizes the warrant transactions as follows:

	Number of Shares Adjusted for the Consolidation	FMV of Warrants at Date of Issue US$	Weighted Average Exercise Price C$
Outstanding as at January 1, 2015	5,973,333	1,000,109	1.20
Compensation warrants issued on issuance of shares for cash (note 9(a))	192,000	17,560	0.10
Warrants expired	(2,573,333)	(190,717)	1.34
Outstanding at December 31, 2015	3,592,000	826,952	1.03
Warrants expired	(3,000,000)	(673,593)	1.10
Outstanding as at December 31, 2016	**592,000**	**153,359**	**0.71**

The fair market value of warrants issued is separately recorded and disclosed separately from share capital in the year warrants are issued. Warrants that are exercised will be recorded as share capital and warrants that expire unexercised will be recorded as contributed surplus.

During the year ended December 31, 2016, 3,000,000 warrants (as adjusted to reflect the one for ten share consolidation) issued in 2011, and having a fair value at date of grant of $673,593 expired unexercised.

The weighted average exercise price of the warrants issued and outstanding on December 31, 2016 was C$0.71 (as adjusted to reflect the one for ten share consolidation).

During the year ended December 31, 2015, in connection with the issuance of the Additional Debentures, the Company paid a finder's fee of 192,000 warrants to Golden Capital Consulting Ltd. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of C$0.10 at any time prior to April 1, 2018. (note 9(a))

The fair values of the warrants issued were estimated on the date of issuance using the Black Scholes option pricing model with the assumptions adopted at the measurement date.

Risk-free interest rate	0.68%
Expected life	1.58 years
Estimated volatility in the market price of the common shares	284.2%
Dividend yield	Nil

10. Share capital

(c) Stock options

The Stock Option Plan - 2008 (the "Plan") was adopted by the Board in February 2008, initially approved by shareholders in April 2008, and reapproved by shareholders on an annual basis.

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

The following table summarizes the stock option transactions during the year ended December 31, 2016 (as adjusted to reflect the one for ten share consolidation):

	Number of Shares Adjusted for the Consolidation	Weighted Average Exercise Price Adjusted for the Consolidation C$
Outstanding as at January 1, 2015	92,500	1.85
Options expired or cancelled	(92,500)	1.85
Outstanding as at December 31, 2015	-	-
Outstanding at December 31, 2016	**-**	**-**

There are no stock options outstanding as of December 31, 2016.

The Company did not grant any stock options during the years ended December 31, 2016 and 2015.

During the year ended December 31, 2015, 92,500 stock options granted to consultants and employees expired unexercised.

10. Share capital

(d) Share consolidation

The Company completed a one-for ten consolidation of its common shares, following approval by shareholders of the Company at the annual and special meeting of shareholders held on June 24, 2015 and the consolidation became effective on June 25, 2015.

(e) Private Placement

On March 7, 2016, the Company issued 1,750,000 common shares at a price of C$0.069 per share for gross proceeds of C$120,750.

On April 13, 2016, the Company issued 3,357,600 common shares at a price of C$0.07 per share for gross proceeds of C$235,032 and on May 20, 2016, the Company issued 3,785,571 common shares at a price of C$0.07 per share for gross proceeds of C$264,990.

11. Non-controlling interests

Neal Development, LP

In February 2015, AGC formed Mineral Point, LLC to explore the Neal Property (note 5) through Neal Development, LP. Mineral Point, LLC is an Idaho limited liability company and Neal Development, LP is formed under the Idaho Uniform Limited Partnership Act, as amended.

Mineral Point, LLC is the General Partner of the Neal Development and holds 100 units of the partnership. In June 2015, Neal Development, LP completed an initial financing for proceeds of $1,100,000 and 44 units were subscribed for. Neal Development, LP commenced exploration activity in mid-July, 2015. (note 5)

(a) Non-controlling interests continuity

	Neal Development, LP
NCI in subsidiary at January 1, 2016 (44 of 144 units outstanding)	30.6%
At January 1, 2016	$ 1,081,666
At December 31, 2016	$ 1,081,666

11. Non-controlling interests (continued)

Neal Development, LP (continued)

(b) Summarized financial information on subsidiary with material non-controlling interest

Summarized Balance Sheets

	Neal Development, LP	
	December 31, 2016	December 31, 2015
Current assets	$ 146,396	$ 608,630
Non-current assets	979,773	511,764
Total assets	$ 1,126,169	$ 1,120,394
Current liabilities	$ 5,775	$ -
Non-current liabilities	-	-
Total liabilities	$ 5,775	$ -

Summarized Statements of Income

	Neal Development, LP	
For the years ended	December 31, 2016	December 31, 2015
Income (loss) from continuing operations	$ -	$ (60,000)

11. Non-controlling interests (continued)

HydroClean Resources, LP
HydroClean, a limited partnership, was formed under the Idaho Uniform Limited Partnership Act in 2016. AGC as the general partner holds a 45% limited partnership interest in HydroClean, and initial limited partners are G2T Technologies Inc. ("G2T"), a private Alberta corporation, as to a 45% interest and Mr. Simmons as to a 10% interest. AGC will transfer its rights in certain water treatment filter systems and methods to HydroClean once AGC receives the patent, which was filed with the United States Patent Office in respect of certain aspects of the water treatment facility on November 26, 2014 and the International Patent which was filed on November 19, 2015. There have been no contributions made as December 31, 2016. Funding for HydroClean has been come from loans from the Partners being $103,453 provided by G2T and $11,978 provided by AGC. All the costs incurred have been capitalized as Intangible assets and organizational costs when the patent is being developed. (note 7)

(a) Non-controlling interests continuity

	HydroClean Resources, LP
NCI in subsidiary at January 1, 2016	45%
At January 1, 2016	$ -
At December 31, 2016	$ -

(b) Summarized financial information on subsidiary with material non-controlling interest
Summarized Balance Sheets

	HydroClean Resources, LP	
	December 31, 2016	December 31, 2015
Current assets	$ 323	$ -
Non-current assets	115,108	-
Total assets	$ 115,431	$ -
Current liabilities	$ 115,431	$ -
Total liabilities	$ 115,431	$ -

Summarized Statements of Income

	HydroClean Resources, LP	
For the years ended	December 31, 2016	December 31, 2015
Income (loss) from continuing operations	$ -	$ -

12. Financial instruments

(a) Fair value

Fair value of financial instruments

The fair values of cash and cash equivalents, accounts payable and accrued liabilities, shareholders loan, promissory note, penalty payable to U.S. Treasury and rehabilitation provisions approximate their carrying amounts due to their short-term maturity.

The following is a summary of the total amortized cost and fair value of the Company's convertible debentures, Senior Secured Notes and convertible loan (host debt):

	Amortized Cost	Fair Value
Convertible debentures	$ 1,419,310	C$1,692,835
Senior Secured Notes	$ 5,833,750	$4,243,595
Convertible loan	$ 600,000	$ 276,088

The IFRS 7, Financial Instruments – Disclosures, requires for financial instruments that are measured subsequent to initial recognition at fair value, grouped in Levels 1 to 3, in the fair value hierarchy, based on the degree to which the fair value is observable. The three levels of the fair value hierarchy are:

Level 1 – inputs derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – fair value derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

12. Financial instruments (continued)

(a) Fair value (continued)

The fair value for the embedded derivatives and gold options were classified as a Level 3, and were derived using a discounted cash flow model that considers various observable and unobservable inputs including time to maturity, interest rates and credit spreads.

As at December 31, 2016	Level 1	Level 2	Level 3	Total
Marketable securities	$ -	$ -	$ -	-
Convertible debentures				
- embedded derivatives	-	-	300,789	300,789
Convertible debentures				
- gold options	-	-	190,964	190,964
Convertible loan				
- embedded derivatives	-	-	96,306	96,306
Senior secured notes				
- gold options	-	-	431,050	431,050
	$ -	$ -	$ 1,019,109	$ 1,019,109

As at December 31, 2015	Level 1	Level 2	Level 3	Total
Marketable securities	$ 26,768	$ -	$ -	26,768
Convertible debentures				
- embedded derivatives	$ -	$ -	$ 397,881	$ 397,881
Convertible loan				
- embedded derivatives	-	-	263,245	263,245
Gold options	-	-	529,866	529,866
	$ 26,768	$ -	$ 1,190,992	$ 1,217,760

Embedded derivatives	Level 3
Balance as at December 31, 2015	$ 661,126
Extinguishment of convertible debenture - embedded derivatives	-
Gains and losses recognized in profit or loss, including foreign exchange	(264,031)
Balance as at December 31, 2016	$ 397,095

Gold options	Level 3
Balance as at December 31, 2015	$ 529,866
Issuance of gold options	-
Gains and losses recognized in profit or loss	92,148
Balance as at December 31, 2016	$ 622,014

12. Financial instruments (continued)

(a) Fair value (continued)

Embedded derivatives	Level 3
Balance as at December 31, 2014	$ 373,041
Gains and losses recognized in profit or loss, including foreign exchange	(261,580)
Issuance of convertible loan	549,665
Balance as at December 31, 2015	$ 661,126

Gold options	Level 3
Balance as at December 31, 2014	$ 788,303
Issuance of gold options	301,978
Gains and losses recognized in profit or loss	(560,415)
Balance as at December 31, 2015	$ 529,866

There were no transfers between Level 1 and Level 2 in the years ended December 31, 2016 and December 31, 2015.

(b) Financial risk factors

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

Credit Risk

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

Liquidity Risk

The Company has no current source of operating revenue and is dependent on external financing to meet obligations when due. If additional financing is delayed or 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 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 and to meet its obligations. Additional funding may be in the form of equity and / or debt or also by obtaining direct investments in Atlanta 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. As at December 31, 2016, the Company had a cash balance of $543,717 (December 31, 2015 - $107,559) and restricted cash balance of $92,659 (December 31, 2015 - $559,018) to settle current liabilities of $14,044,449 (December 31, 2015 - $8,026,668). The Company has various commitments, as detailed in note 16.

12. Financial instruments (continued)

(b) Financial risk factors (continued)
Liquidity Risk (continued)

The following table presents the contractual maturities of the Company's financial liabilities on an undiscounted basis:

December 31, 2016	Less than 3 months	3 months to 1 year	2 to 5 years	Over 5 years
Current liabilities				
Accounts payable and accrued liabilities	$2,815,386	$ 368,481	$ -	$ -
Other payables	-	103,452	-	-
Penalty payable to U.S. Treasury	-	1,675,000	-	-
Senior secured notes - host debt component	-	5,833,750	-	-
Senior secured notes - gold options	-	431,050	-	-
Shareholders' loans	-	1,892,891	-	-
Convertible loan – host debt component	-	658,897	-	-
Convertible loan – embedded derivatives	-	96,306	-	-
Non-current liabilities:				
Convertible debt – host debt component	-	-	1,419,310	-
Convertible debt – embedded derivatives	-	-	300,789	-
Convertible debenture - gold options	-	-	190,964	-
	$2,815,386	$11,059,827	$1,911,063	$ -

December 31, 2015	Less than 3 months	3 months to 1 year	2 to 5 years	Over 5 years
Current liabilities				
Accounts payable and accrued liabilities	$1,447,524	$ 718,458	$ 95,141	$ -
Penalty payable to U.S. Treasury	-	1,725,000	-	-
Senior secured notes - host debt component	-	1,485,402	-	-
Shareholders' loans	-	1,041,659	-	-
Promissory note	-	424,717	-	-
Convertible loan	-	667,947	-	-
Convertible loan – embedded derivatives	-	263,245	-	-
Non-current liabilities:				
Senior secured notes - host debt component	-	-	4,113,031	-
Senior secured notes - gold options	-	-	382,926	-
Convertible debentures – host debt component	-	-	1,196,248	-
Convertible debentures – embedded derivatives	-	-	397,881	-
Convertible debentures – gold options	-	-	146,940	-
	$1,447,524	$6,326,428	$6,332,167	$ -

12. Financial instruments (continued)

(b) Financial risk factors (continued)

Market Risk

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

(i) Foreign currency risk

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. The rate published by the Bank of Canada at the close of December 31, 2016 was 1.3427 Canadian dollars to one U.S. dollar.

Due to the weakening during 2016 of the U.S. dollar relative to the Canadian dollar, the Company had a foreign exchange loss of $1,557,069, most of which was derived from translation of inter-company loans made by the Company to AGC, which are denominated in U.S. dollars, resulting in net loss of $2,891,828. 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.

(ii) Commodity prices risk

Since the Company is not in production, currently there is no substantial risk arising from changes in the price of gold and silver except the liability derived from the exercise of the outstanding gold options if the gold price rises. When the Company is in production, prices of gold and silver are expected to be major factors influencing the Company’s business, results of operations, financial condition, cash flow from operations, exploration, mining and development activities and trading price for its common shares. Gold and silver prices may fluctuate widely and are affected by numerous factors beyond the Company’s control.

(iii) Interest rate risk

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

Sensitivity analysis

As at December 31, 2016, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been approximately $710,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated intercompany receivables, financial assets at fair value through profit or loss, debt securities classified as available-for-sale and foreign exchange losses/gains on translation of US dollar-denominated borrowings.

As at December 31, 2016, if the gold price had increased by 10%, the gold options' fair value would have increased by $207,305. If the gold price had decreased by 10%, the gold options' fair value would have decreased by $178,389.

Considering the sensitivity and judgment involved in the convertible debentures valuation, the estimated fair value of the embedded derivatives of $397,095 would change if there would be an increase of 10% in the credit spread by approximately $46,000 and if there would be a decrease of 10% in the credit spread by approximately $50,000.

13. Income per share

Basic income per share
The calculation of basic loss per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of $2,891,828 (December 31, 2015 - income of $6,537,344), and a weighted average number of consolidated common shares outstanding of 35,715,205 (December 31, 2015 - 26,726,059 as adjusted for the consolidation).

Diluted income per share
The calculation of diluted loss per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of $2,891,828 (December 31, 2015 - income of $6,537,344), and a weighted average number of consolidated common shares outstanding of 35,715,205 (December 31, 2015 - 43,312,383). There is a net loss for 2016 which means the diluted income per share is in fact anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options and warrants was based on quoted market prices for the period during which the options were outstanding.

14. Related party transactions

The remuneration of key management personnel during the year ended December 31, 2016 was $388,301 (December 31, 2015 - $391,420), of which one-half of a senior officer's salary was unpaid and accrued at December 31, 2016. The Company had accrued $626,530 of a senior officer's salary including $600,000 of principal accrued for the period from 2013 to 2016 and $26,530 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 December 31, 2016, Shareholders' loans of $1,892,891 (December 31, 2015 - $1,041,659) were payable to certain directors (Allan Folk and James Gray) and shareholders of the Company. Of the total amount, $332,806 (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 was evidenced by demand promissory notes bearing interest of 7% per annum and was secured against the equipment purchased (note 6). The remaining shareholder loans of $1,560,085 (December 31, 2015 - $728,159) were from shareholders. The loans bear interest of 8% per annum and are repayable on demand.

On October 17, 2016, the Company borrowed $750,000 from a shareholder, Jipangu Inc ("Jipangu"). The loan is unsecured, bears interest of 8% per annum. On March 29, 2017, the Company reached agreements to issue a total of 26,390,000 common shares for aggregate consideration of C$2,375,100 to Jipangu. Under the terms of the agreements, the loan together with accrued interest thereon to the date of closing of the transaction, will be repaid by the issuance of 11,486,052 common shares of the Company valued at C$0.09 per share (note 17)

All transactions with related parties are in the normal course of business.

15. Rehabilitation provisions

The total future costs to reclaim exploration and evaluation assets are estimated by management based on the Company's ownership interest in Atlanta and its previous ownership interest in diamond properties located on Baffin Island and the estimated timing of the costs to be incurred in future periods. The following table reconciles the change in decommissioning obligations:

	Baffin Island Property	Atlanta Gold Property	Total
Balance as at January 1, 2015	$ 60,340	$ 1,168,801	$ 1,229,141
Change during the year			
Paid out	-	(91,923)	(91,923)
Change of estimate and foreign exchange adjustment	(9,765)	(4,878)	(14,643)
Balance as at December 31, 2015	$ 50,575	$ 1,072,000	$ 1,122,575
Current	**$ 50,575**	**$ 107,000**	**$ 157,575**
Long-term	**$ -**	**$ 965,000**	**$ 965,000**
Balance as at January 1, 2016	$ 50,575	$ 1,072,000	$ 1,122,575
Change during the period			
Paid out	-	(76,029)	(76,029)
Change of estimate and foreign exchange adjustment	1,561	86,129	87,690
Balance as at December 31, 2016	$ 52,136	$ 1,082,100	$ 1,134,236
Current	**$ 52,136**	**$ 117,100**	**$ 169,236**
Long-term	**$ -**	**$ 965,000**	**$ 965,000**

A provision is recognized for the costs to be incurred for the restoration of the Baffin Island Property and the 900 adit at Atlanta. It is expected that $169,236 will be expended within one year and $965,000 in the year after. As at December 31, 2016, total expected costs to be incurred are $1,134,236 (December 31, 2015 - $1,122,575). Due to the near term of the settlement of the provisions, the costs estimated have not been discounted.

16. Commitments and contingencies

As at December 31, 2016, the Company had accrued current rehabilitation provisions of $169,236 (December 31, 2015 - $157,575) and accrued non-current rehabilitation provisions of $965,000 (December 31, 2015 - $965,000) relating to reclamation of the properties in the United States and Canada. These amounts represent the Company's best estimate of the costs expected to fulfill the obligation resulting from the conditions of the permit.

On July 19, 2012 the U.S. District Court for the State of Idaho (the "Court") issued a Memorandum Decision (the "Decision") in a case in which AGC was a party, pertaining to AGC's non-compliance with the United States Federal Water Pollution Control Act ("Clean Water Act"). The Court imposed a penalty in the amount of $2,000,000. In addition, the Decision, as subsequently amended, ordered AGC to implement measures to come into compliance with the National Pollutant Discharge Elimination System ("NPDES") Permit by December 15, 2012.

In September 2013, the Court entered a final judgment in this matter pursuant to which the penalty is 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 a balloon payment in the amount of $450,000 to be due September 30, 2018. AGC has made aggregate payments to date of $325,000. As of the date hereof, AGC is $525,000 in arrears of its payment schedule. 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 AGC's four generators on the East Amity Road property located in Boise, Idaho. (note 6)

On November 3, 2016, AGC received notice that Idaho Conservation League and the Northwest Environmental Defense Center have submitted pleadings to reopen a previously closed case in the U.S. District Court in Idaho in which AGC was the defendant. These parties filed a Motion to Hold Defendant in Civil Contempt, and Impose Additional Penalties and Enforcement Remedies which alleges that AGC violated its National Pollutant Discharge Elimination System ("NPDES") permit, and that AGC did not make all payments when due to the U.S. Treasury for an earlier imposed fine. The Court held a hearing of this motion on April 25 and 26, 2017 and a decision of the Court is expected within 60 days. The likely outcome cannot be determined at this time. AGC continues to endeavor to comply with the terms of the payment arrangements previously imposed by the Court. However, if the motion which has been brought to reopen the final judgment of the Court is successful, 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 during 2013	$75,000
Payments made during 2014	75,000
Payments due in 2014 paid in 2015	75,000
Payments due in 2015 paid in 2015	50,000
Payments due in 2015 paid in 2016	50,000
Penalty outstanding	1,675,000
Payments due in 2015 are past due	225,000
Payments due in 2016 are past due	400,000
Payments due in 2017	400,000
Payments due in 2018	650,000
Penalty outstanding	$1,675,000

16. Commitments and contingencies Royalty commitments (continued)

Atlanta has royalty commitments set forth in note 5 hereof.

17. Subsequent events

(a) On March 29, 2017, the Company reached agreements to issue a total of 26,390,000 common shares for aggregate consideration of C$2,375,100 to Jipangu. Under the terms of the agreements, Jipangu's existing $750,000 loan to the Company (Note 14) together with accrued interest thereon to the date of closing of the transaction, will be repaid by the issuance of 11,486,052 common shares of the Company valued at C$0.09 per share. In addition, Jipangu has agreed to subscribe for 14,903,948 common shares at a price of C$0.09 per share.

Completion of the transactions with Jipangu is subject to the approval of the TSX Venture Exchange and the approval of the Company's shareholders (excluding the votes of shares currently owned by Jipangu). Approval of the Company's shareholders will be sought at the Company's annual and special meeting of shareholders to be held on June1, 2017.

(b) On April 20, 2017, the Idaho Department of Lands approved the reclamation plan submitted in respect of proposed operations at the Neal Property and has granted a mine permit. The reclamation and operating permit is subject to certain conditions agreed upon with the Idaho Department of Lands and becomes active upon agreeing to the conditions and establishment of a reclamation bond. The surface mining permit will enable the estimated 12,900 ton stockpile collected from bulk samples completed in 2015 and 2016 to be removed from the site for processing.