

**Atlanta Gold Inc.**

**Interim Management Discussion and Analysis**

**Quarterly Highlights**

**For the Three Months ended March 31, 2017 and 2016**

## **Introduction**

The following interim Management Discussion & Analysis Quarterly Highlights (“**MD&A**”) of Atlanta Gold Inc. (the “**Company**”) and its subsidiaries has been prepared to provide material updates to the business operations, liquidity and capital resources of the Company since its last management discussion & analysis, during the three months ended March 31, 2017.

This MD&A has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with *National Instrument 51-102 – Continuous Disclosure Obligations*. This discussion should be read in conjunction with the Company’s Management Discussion and Analysis for the year ended December 31, 2016 (the “**Annual MD&A**”), the audited annual consolidated financial statements of the Company for the years ended December 31, 2016 and 2015 and the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2017 and 2016, together with the notes thereto. All amounts are expressed in U.S. dollars unless otherwise indicated. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended March 31, 2017 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at May 29, 2017 unless otherwise indicated.

The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017, have been prepared using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

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

Further information about the Company and its operations is available on the Company's website at [www.atgoldinc.com](http://www.atgoldinc.com) or on SEDAR at [www.sedar.com](http://www.sedar.com)

## **Cautionary Statement on Forward-Looking Information**

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

Forward-looking information is frequently identified by the use of words such as “may”, “will”, “could”, “believe”, “intend”, “expect”, “seek”, “anticipate”, “plan”, “continue”, “estimate”, “predict”, “potential” and similar terminology suggesting outcomes or statements regarding an outlook. Forward-looking information is included in the “Outlook” section of this MD&A as well as elsewhere in this document. Specifically, this document contains forward-looking information regarding, among other things, the effectiveness of the gold extraction process being tested by the Company; the commencement of test processing of the bulk sample from the Neal Property and the timing and outcome thereof; the completion at the Neal Property of an additional bulk sample; the completion of infill drilling, a bulk sample and other exploration and development initiatives at the Atlanta Project; the completion of the financing transaction with Jipangu Inc. (“**Jipangu**”); the completion of the amendments to the repayment terms of the Company’s secured indebtedness; the completion of future financings by the Company and by Neal Development, LP and the timing thereof; the continuance and enhancement of environmental initiatives, including the implementation of the Plan of Operations; the completion of the reclamation program at the Brodeur diamond property; the effectiveness of the passive water treatment system, the installation of a water control plug and the effectiveness of same on the water treatment system; and the continuance of developmental initiatives. In addition, statements relating to mineral resources are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described can be profitably produced in the future.

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

Such forward-looking information is based on a number of assumptions, including but not limited to, the successful and timely completion of additional financings, the receipt of the approval of the Company’s shareholders to, and the successful completion of, the proposed financing with Jipangu, the completion of the amendments to the repayment terms of the Company’s secured indebtedness, the expected timelines necessary to complete and the successful completion of exploration, development, permitting and pre-production activities,

the level and volatility of the price of gold, the accuracy of resource estimates (including with respect to size, grade and recoverability) and the geological, operating and price assumptions on which they are based, the ability to achieve capital and operating cost estimates, and general business and economic conditions. Should one or more risks materialize or should any assumptions prove to be incorrect, then actual results could vary materially from those expressed or implied by the forward-looking information.

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

### ***Cautionary Note to United States Investors Concerning Estimates of Mineral Resources***

The mineral resource estimates used by the Company were prepared in accordance with *National Instrument 43-101 – Standards of Disclosure for Mineral Projects* (“**NI 43-101**”) as required by Canadian securities regulatory authorities. The United States Securities and Exchange Commission (the “**SEC**”) applies different standards in order to classify and report mineralization. The Company uses the terms “measured”, “indicated” and “inferred” mineral resources, as required by NI 43-101. Readers are advised that although such terms are recognized and required by Canadian securities regulations, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Readers are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into mineral reserves. In addition, “inferred” mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource exists, is economically or legally mineable or will ever be upgraded to a higher category of mineral resource.

### ***Overview***

The Company’s shares trade on the TSX Venture Exchange (TSX.V: ATG) and on the OTC Pink (OTC Pink: ATLDF). As of May 29, 2017, the Company has 38,448,008 shares issued and outstanding and warrants outstanding to purchase 592,000 common shares at prices ranging from C\$0.10 to C\$1.00 per share, expiring between August 2017 and April 2018.

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

Significant achievements to date in 2017 are receipt of the reclamation and operating permit for the Neal Property, agreements with Jipangu, which are subject to the approval of the

Company's shareholders, for the issuance of shares on a private placement and in satisfaction of indebtedness and agreement with the Company's secured lenders in respect of amendments to the repayment terms of the Company's secured indebtedness, all as described herein. The Company remains subject to significant financing and litigation risks, also as described herein.

### ***Overview of Performance and Outlook***

#### ***Neal Property***

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

The Neal Property is at a much lower elevation than the Atlanta Project and generally allows year-round access to mineralized material. The Partnership expects to advance certain exploration and processing methods, with such advancements to be available to AGC for use at the Atlanta Project. The proposed recovery process medium is water with gravity recovery and recent testing results indicate that gold concentration of up to 400:1 with the possibility of recoveries from 62% to 80% of total gold without the use of any chemicals is achievable. The expected field recovery of greater than 80% of total gold and a concentration ratio of over 100:1 is the target of processing of the planned sampling program by the Partnership.

Exploration trenching at the Neal Property completed during 2015 provided an estimated bulk sample of 8,000 tons. Five hundred and sixty-two (562) samples in 8 batches were tested and analyzed by two independent laboratories, resulting in a weighted average gold grade of 0.149 ounces per ton (5.12 grams per tonne). (Please also see the Company's news release of December 9, 2015). William L. Josey, an independent geologist and a Registered Member of SME, is the Company's "qualified person" as defined by National Instrument 43-101 and has reviewed and approved the foregoing. The sample area of three acres has been cross trenched followed by condemnation drilling to forty feet. The surface area has been contoured, covered with top soil and topped with approved seeding. The concurrent reclamation will reduce the total area of disturbance.

During the summer of 2016, an additional 4,900 tons were added to the stock pile. The average grade for the additional tons delivered to the stock pile was 0.132 ounces per ton (4.53 grams per tonne). An additional estimated 6,000 tons has been exposed and prepared to be excavated and delivered to the stock pile, subject to funding.

In April 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.

Processing of the estimated 12,900 ton bulk sample is expected to commence in the third quarter of 2017 subject to funding. While the Partnership filed for the mine permit in mid-March of 2016, the review term was extended by an additional thirteen months due to requests from regulatory authorities and in response to public comments for additional information, which in turn delayed our planned start date.

It is planned that the sample will be transported off site, crushed in a gravel pit, fed to concentrators owned by AGC, processed by AGC and the concentrated product is expected to be delivered to a refinery or to a toll processing facility for final processing and then be available to market.

Additional funds will be required for the Partnership to carry out its work program at the Neal Property. While the Partnership had anticipated raising up to an additional \$1,400,000 through the sale of additional Partnership units during the third quarter of 2016, it was unsuccessful, as its efforts were hindered by the delays in obtaining the mine permit. The Partnership is continuing to work towards completing an additional financing, which it currently anticipates will be completed during the third quarter of 2017. Continued delays in obtaining additional funding will result in the Partnership delaying or postponing its programs on the Neal Property. AGC provides certain general, administrative and other services to the Partnership and if the Partnership continues to be delayed in obtaining or is ultimately unable to obtain additional financing, this will impact adversely on the working capital of AGC.

### ***Atlanta Project***

Following the previous two years of surface material evaluation and testing gravity separation and centrifugal recovery, the Company believes that a bulk sample is warranted at the east end of the Atlanta Project. This area has a surface resource exposed for more than 2000 feet long and 30-80 feet wide, containing placer-like gold bearing material covering a large area. The bulk sample of thousands of tons and on site processing is the next step to confirm gravity separation using water as the medium which if confirmed, could be used in the next generation of small mine development. This type of recovery system addresses present and future environmental issues. Work on a bulk sample, as well as additional infill drilling, is expected to commence later in 2017 as soon as funding is available and following successful completion of testing at the Neal Property.

### ***Water Treatment Facility***

AGC significantly resolved the environmental issues arising from the naturally occurring arsenic, iron and other contaminants entering waterways as a result of ground water passing through historic mined out areas near the Atlanta Project. AGC installed an innovative water treatment facility in October 2012 and expanded it in 2013, which resulted in the achievement of better water quality than mandated by the threshold set by the U.S. Environmental Protection Agency (the “**EPA**”). AGC continues to maintain overall compliance with the drinking water standards as set by the EPA and the Idaho Department of Environmental Quality in the State of Idaho when it is treating manageable flows. The Company has made annual improvements and modifications to the Pilot Water Treatment Facility (“**PWTF**”). However, the water treatment cannot maintain continuous compliance without establishing control of the flow of water emanating from the 900 level adit. Plans are being discussed with other professionals as to the installation and location of a control system that is expected to resolve remaining issues. The issue of flow control during high runoff seasons caused by naturally occurring events is beyond the design capacity of the PWTF.

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

parties to execute a comprehensive closure plan for the 900 cross-cut. The installation of a control plug, which will create a large reservoir of water, will provide the operator with the ability to control water discharge, manage water requiring treatment and maintain compliance with the United States Federal Water Pollution Control Act (the “**Clean Water Act**”). The ability to control the level of water discharge will be a significant additional safeguard as extreme conditions, such as unusually high Spring run-off levels or extreme flooding (such as that experienced in May 2014), can result in significant surges in water flow which reduces the resident time of water flowing through the treatment facility and blinds or clogs the filters, resulting in discharges that exceed the compliance levels mandated by the Clean Water Act. Two environmental groups have recently brought a motion in the U.S. District Court in Idaho reopening the previous case against AGC in respect of AGC’s water treatment, described below under the section entitled “Environmental Matters and Environmental Litigation”.

### ***Trends, Uncertainties and Risk Factors***

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

Fulfillment of the Company’s plans and programs, including initiation of pilot scale gold processing in advance of commercial gold production, remains subject to the availability of sufficient financing on acceptable terms. The Company and AGC require additional funds to discharge their liabilities, to conduct the work program on the Atlanta Project and to meet their overhead expenses. As discussed under “Liquidity and Capital Resources”, the Company was successful in the first quarter of 2017 in reaching agreements with Jipangu to complete an equity private placement for proceeds to the Company of C\$1,341,355 and to satisfy C\$1,033,745 of indebtedness by the issuance of common shares of the Company. In the second quarter of the year, the Company reached agreement with the holders of its \$6.1 million principal amount senior secured notes (the “**Notes**”) and the holders of its C\$2,050,000 principal amount convertible debentures (the “**Debentures**”) to amend certain of the repayment terms. Both of these transactions are anticipated to be completed in June 2017 following receipt of the approval of the Company’s shareholders to the transactions with Jipangu. But additional funding is required and the Company intends to seek additional capital by means of equity financings, additional debt financings or the formation of partnerships open to new investors. Challenging financial markets and the previous decline in gold prices have adversely affected the Company’s share price and its ability to finance planned activities and ongoing operations. The Company has experienced delays in obtaining requisite financing, which in turn has caused delays and in some instances, postponement of certain planned operational matters. Since the commencement of 2017, the gold price has improved somewhat and has had a positive impact on the mining segment of the capital markets. Management believes that it will ultimately be successful in obtaining additional financing. However, additional delays in completing or the inability to complete additional financings could result in significant delays in carrying out or the possible cancellation of the Company’s planned activities and will adversely affect the Company’s ability to fund its commitments under its outstanding indebtedness and other financial commitments, including

payments due by AGC under the Court imposed penalty, details of which are set forth below under “Environmental matters and Environmental Litigation”. This would have a material adverse effect on the Company’s financial condition, business and operations.

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

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

### ***Environmental Matters and Environmental Litigation***

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

Companies previously in production at the historic mine site drove an adit in 1917 at the 900 (6080 ft) level (the “**Adit**”) and groundwater drains from the Adit. The geological structures within the area contain naturally-occurring arsenic, which enters the waterways as a result of water passing through historic mined-out areas within the mineralized structure. In 2006, AGC constructed, and began operating the PWTF which treated all water flowing from the Adit to remove significant levels of naturally-occurring contaminants, including arsenic. AGC does not hold any interest in the land on which the Adit is located nor does it have any right to use the groundwater that is discharged from the Adit. Subsequent to construction of the PWTF, permitted limits for effluents, including for arsenic, were significantly reduced. The permitted discharge limit for arsenic was reduced from 190 to 10 micrograms per liter (10 µ/L) or parts per billion. The PWTF as constructed in 2006 was not capable of meeting these significantly lower limits. AGC subsequently modified its treatment regime in 2012 based on opinions received from consultants engaged to evaluate various treatment options.

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

commencing detailed geological assessment.

In 2012, the U.S. District Court for the State of Idaho held that AGC had violated the effluent limits of the Clean Water Act. The Court ordered AGC to implement measures to come into compliance with the effluent discharge limits. AGC subsequently completed the installation of a passive water filter system to the PWTF, which has been highly successful in achieving better water quality than mandated by the Clean Water Act. The Court also imposed a \$2,000,000 penalty to be paid over a five-year period, with the quarterly installments increasing in size annually to a maximum of \$100,000 per quarter beginning in the third year and with a balloon payment in the amount of \$450,000 due on September 30, 2018. AGC has made aggregate payments to date of \$325,000 but to date is in arrears of payments due totaling \$725,000. The penalty amount bears interest at a rate of 0.1% per annum from November 28, 2012 and is secured by recording the Consent Judgment against four generators owned by AGC.

In November 2016, the Idaho Conservation League and the Northwest Environmental Defense Center sought to reopen the above described decision of the U.S. District Court in Idaho, seeking that AGC be held in civil contempt and that additional penalties and enforcement remedies be imposed. The Court heard the motion on April 25 and 26, 2017 and a decision of the Court is expected in June 2017. 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.

Reference should also be made to the section entitled "Uncertainties and Risk Factors" in the Company's Management Discussion and Analysis for the year ended December 31, 2016 (the "Annual MD&A").

### ***Discussion of Operations***

#### ***Three months ended March 31, 2017 compared with three months ended March 31, 2016***

The Company's general and administrative expenses for the three months ended March 31, 2017 increased by \$25,000 from the comparable 2016 period to \$92,000 (2016 - \$67,000), reflecting increases in salaries and management fees, professional fees and travel which are partially offset by decreases in administrative and office expenses.

Cash used in the operating activities for the three months ended March 31, 2017 was \$48,000 (2016 - \$17,000), an increase of \$31,000 from the first quarter of 2016.

No financings were completed in the first quarter of 2017, while the Company completed an equity financing in the first quarter of 2016 in the amount of \$80,000.

Cash used in investing activities for the three months ended March 31, 2017 was \$116,000 (2016 - \$146,000) resulting from mineral property expenditures of \$104,000 (2016 - \$133,000) and the addition of property, plant and equipment of \$12,000 (2016 - \$13,000).

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

Quarter ended	Total Revenues (3)	General and Administrative Expenses	Net Loss (Income) (2)	Basic Loss (Income) Per Share	Fully Diluted Loss (Income) Per Share
March 31, 2017	-	92	865 <sup>(1)</sup>	0.02	0.02
December 31, 2016	-	85	(994) <sup>(1)(4)</sup>	(0.03)	(0.02)
September 30, 2016	-	68	(415) <sup>(1)(4)</sup>	(0.01)	(0.01)
June 30, 2016	-	124	753 <sup>(1)</sup>	0.02	0.01
March 31, 2016	-	67	3,548 <sup>(1)</sup>	0.12	0.06
December 31, 2015	-	75	(833) <sup>(1)(4)</sup>	(0.03)	(0.02)
September 30, 2015	-	129	(2,152) <sup>(1)(4)</sup>	(0.08)	(0.05)
June 30, 2015	-	212	1,488 <sup>(1)</sup>	0.06	0.06

- (1) No mineral costs were expensed.
- (2) The Company has not incurred any losses arising from discontinued operations or extraordinary items in the last eight quarters.
- (3) Since the Company is not in production, it does not generate any revenue.
- (4) Net income in the fourth and third quarter of 2016 and the fourth and third quarters of 2015 arose from foreign exchange gains which primarily arose from the impact of the translation of intercompany loans by the Company to AGC.

The Company's net loss totaled \$865,000 for the three months ended March 31, 2017, with basic loss per share of \$0.02 and diluted loss per share of \$0.02. This compares with a net loss of \$3,548,000 with basic loss per share of \$0.12 and diluted loss per share of \$0.06 for the three months ended March 31, 2016.

The change of \$2,683,000 in net loss was principally due to the strengthening, during the first quarter of 2017, of the U.S. dollar relative to the Canadian dollar compared with the first quarter of 2016. The Company had a foreign exchange loss of \$426,000, most of which was derived from the translation of inter-company loans made by the Company to AGC, which are denominated in U.S. dollars, resulting in a net loss of \$865,000. The financial statements are presented in U.S. dollars, so the Company's balances are translated from Canadian dollars to U.S. dollars. The translation of loans receivable from AGC to the Company from Canadian dollars into U.S. dollars has been recognized on the balance sheet in accumulated other comprehensive loss.

### **Capital Expenditures**

#### Atlanta Project, Idaho, USA:

Capital expenditures in the first quarter of 2016 were \$155,000 and included expenditures on project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the 900 Adit.

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

Exploration and evaluation expenditures for the Atlanta Project for the three months ended March 31, 2017 and 2016 are shown in the table below.

	For the three months ended	
	March 31, 2017	March 31, 2016
<b>Opening Balance</b>	\$ 47,531,280	\$ 46,794,812
Equipment rental	8,764	4,009
Field expenses	195	218
Salaries	86,854	64,493
Project administration	57,843	15,545
Depreciation - field equipment	1,214	114,154
<b>Total Increase During the Period<sup>(1)(2)</sup></b>	\$ 154,870	\$ 198,419
<b>Closing Balance</b>	\$ 47,686,150	\$ 46,993,231

- (1) Additions in the three months ended March 31, 2017 include expenditures on project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the Adit.
- (2) Additions in the three months ended March 31, 2016 include expenditures on project administration, equipment rental, property carrying costs, capitalized depreciation of exploration and evaluation assets and payment of rehabilitation provisions for the Adit.

### Neal Property, Idaho, USA:

Capital expenditures in the first quarter of 2017 were \$30,000 and included expenditures on project administration, permitting, lab analysis and geology/geophysics.

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

Exploration and evaluation expenditures for the Neal Property for the three months ended March 31, 2017 and 2016 are shown in the table below.

	For the three months ended	
	March 31, 2017	March 31, 2016
<b>Opening Balance</b>	\$ 739,356	\$ 271,356
Geology/Geophysics	360	2,460
Lab analysis	376	-
Permitting	1,140	-
Project administration	28,321	54,719
<b>Total Increase During the Period<sup>(1)(2)</sup></b>	\$ 30,197	\$ 57,179
<b>Closing Balance</b>	\$ 769,553	\$ 328,535

- (1) Additions in the three months ended March 31, 2017 include expenditures on project administration, permitting, lab analysis and geology/geophysics.
- (2) Additions in the three months ended March 31, 2016 include expenditures on project administration and geology/geophysics.

### **Liquidity and Capital Resources**

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

The decline in gold prices and the challenging financial markets faced by companies in the gold sector have had a significant adverse affect on the Company's share price and on its ability to raise additional funds through equity financings in a timely manner. In addition, uncertainty arising from the environmental litigation involving AGC had adversely affected the Company's share price and financing efforts. In turn, delays experienced in obtaining financing and in obtaining the reclamation and operation permit at the Neal Property has resulted in operational delays.

The Company's cash position as at March 31, 2017 was \$360,000 compared to \$544,000 as at December 31, 2016. The Company's working capital deficiency as at March 31, 2017 was \$13,875,000 compared to a deficiency of \$13,297,000 as at December 31, 2016. Assuming that the transactions with Jipangu and the Company's secured lenders are completed in June 2017, the Company's working capital deficit as at the end of the second quarter of 2017 will improve somewhat as the non-current portion of the Notes will cease to be classified as a current liability.

	As at	
	March 31, 2017	December 31, 2016
<b>Cash and cash equivalents excluding restricted cash</b>	\$ 360,000	\$ 544,000
Current assets	\$ 523,000	\$ 747,000
Current liabilities	(14,398,000)	(14,044,000)
<b>Working capital (deficiency) <sup>(1)</sup></b>	<b>\$ (13,875,000)</b>	<b>\$ (13,297,000)</b>

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

As the Company is in the development stage and has no ongoing source of cash flow, additional funding by means of equity and/or debt financings is necessary in the short and longer terms. The significant working capital deficiency has resulted in the Company being in arrears in satisfying a number of its financial commitments. AGC is \$725,000 in arrears in payments under the penalty imposed by the Court under the Clean Water Act and the motion to reopen this matter with the Court has been heard, which could lead to significant additional penalties being imposed against AGC by the Court. Payments of principal and interest on the Company's Notes in the aggregate amount of \$2,619,274 due on August 31, 2016 remain unpaid. Interest payments due April 1, 2016 and April 1, 2017 on the Company's Debentures in the amount of C\$183,150 remain unpaid.

To address its funding requirements, in March 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 together with accrued interest thereon to the expected 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 for gross proceeds of C\$1,341,355. As Jipangu currently holds 19.5% of the Company's outstanding shares, completion of the share issuances to Jipangu is subject to

receipt of the approval of the Company's shareholders (excluding the votes of shares held by Jipangu), which approval will be sought at the Company's annual and special meeting of shareholders scheduled for June 1, 2017. Proceeds of the private placement will be used to reduce indebtedness and for working capital. While completion of the transactions with Jipangu will assist the Company in meeting a portion of its immediate operational requirements, additional funding will continue to be required.

In May 2017, the Company reached agreement with the holders of its Debentures and Notes to settle accrued and unpaid interest on the Debentures and Notes totaling C\$1,712,885 and to extend the maturity of the Notes by one year. Under the terms of the agreement, 45% of the balance of accrued and unpaid interest will be settled by the issuance of common shares of the Company on the basis of one share for each C\$0.077 of interest, for a total issuance of 10,010,374 common shares, and the balance of the unpaid interest outstanding will be paid by a cash payment. The maturity date of the outstanding Notes will be extended by one year to August 31, 2019 and the Notes will be repayable in installments at the rate of 25%, 35% and 40% on August 31, 2017, 2018 and 2019, respectively. The Company's outstanding options to purchase 6,374.5 ounces of gold at \$1,100 per ounce, previously issued with the Notes, will have their term extended by one year to August 31, 2019 and will vest at the rate of 25%, 35% and 40% on August 31, 2017, 2018 and 2019, respectively. Completion of this transaction is anticipated to occur immediately following completion of the financing transaction with Jipangu.

AGC previously formed Mineral Point, LLC, as the general partner of the Partnership as a means to finance and advance the Neal Property. In June 2015, the Partnership raised gross proceeds of \$1,100,000 and continues to seek to raise up to an additional \$1,400,000. However, the financing efforts of the Partnership have been hindered by the delays experienced in obtaining the mine permit for the Neal Property. The permit was received in April 2017.

The Company continues to seek additional near-term financing in the range of C\$3 to C\$4 million. Successful completion of financings in the lower end of this range would address immediate operational requirements. There can be no assurance that the planned financings by the Company, including with Jipangu, or the amendment of the repayment terms of the Company's secured indebtedness or the planned financing by the Partnership will be completed in a timely manner or at all. If completion of these transactions is delayed or the planned financings are not completed or are completed for reduced amounts, the Company will be required to further reduce or repurpose planned operational expenditures and/or rely on other sources of funds, if available, which may include additional shareholder loans. The Company may also consider the sale of non-core assets and direct investments by third parties in the Atlanta Project to assist it in meeting its ongoing capital requirements. The Company will require additional financing to assist AGC to meet its obligations under the Court penalty, to finance its exploration and development activities and to meet its debt servicing obligations. There can be no assurance that a satisfactory resolution to the environmental litigation involving AGC may be achieved. If efforts to resolve the environmental litigation are unsuccessful, the Court could impose additional penalties on AGC, which penalties could be significant. The inability to obtain additional funding on a timely basis, to complete the amendments of the repayment terms of its secured indebtedness or to resolve the environmental litigation will have a material adverse effect on the financial condition, business and operations of the Company and AGC.

### **Transactions with Related Parties**

The Company's transactions with related parties are comprised of salary deferrals by the former President and CEO of the Company and of shareholder loans made by certain directors and shareholders of the Company. The remuneration of key management personnel during the three months ended March 31, 2017 was \$95,512 (March 31, 2016 - \$95,000). The Company had accrued \$637,030 of the former CEO's salary including \$600,000 of principal accrued for the period from 2013 to 2016 and \$37,030 of outstanding interest. At March 31, 2017, \$625,530 was accrued for one-half of the former CEO's salary including \$600,000 of principal accrued for the period from 2013 to 2016 and \$25,530 of outstanding interest. This amount is unsecured and has no fixed terms of repayment. The interest rate was 7% per annum on unpaid remuneration. The Company is in discussions with its former CEO to establish a repayment schedule for these amounts.

At March 31, 2017, shareholders' loans of \$1,930,621 (December 31, 2016 - \$1,892,891) were payable to a director (Allan Folk) and other shareholders of the Company. Of the total amount, \$337,552 (December 31, 2016 - \$332,806) was owed to Wm. Ernest Simmons, the former President and CEO of the Company, for the purchase of equipment and it is evidenced by demand promissory notes bearing interest of 7% per annum and is secured against the equipment purchased. The remaining shareholder loans of \$1,593,069 (December 31, 2016 - \$1,560,085) bear interest of 8% per annum and are repayable on demand.

### **Contingencies and Commitments**

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

(\$ in 000's)

	Total	Payments Due by Period		
		Years 1 to 2	Years 3 to 4	Beyond Year 4
Head office	11	11		
Penalty, attorney fees and litigation costs	1,675	1,675	-	-
Shareholders' loans	1,931	1,931	-	-
Rehabilitation provisions - Atlanta gold property <sup>(1)</sup>	1,082	1,082	-	-
Rehabilitation provisions - Brodeur diamond property <sup>(2)</sup>	53	53	-	-
Convertible loan <sup>(3)</sup>	790	790	-	-
Convertible debentures <sup>(4)</sup>	2,022	2,022	-	-
Senior secured notes <sup>(5)</sup>	8,659	8,659	-	-
Operating leases	147	131	16	-
Other long-term obligations <sup>(6)</sup>	40	20	20	-
<b>Total Contractual Obligations</b>	<b>16,410</b>	<b>16,374</b>	<b>36</b>	<b>-</b>

- (1) This includes an estimate of the expenditures necessary to close the 900 level tunnel adit.
- (2) The final phase of the restoration program at the Brodeur diamond property is expected to be completed within the next two years when funds are available.
- (3) On June 11, 2014, the Company borrowed \$600,000 by means of a convertible loan. The loan is unsecured and non-interest bearing and is to be repaid by delivery to the lender of 1,000 troy ounces of gold (or the cash equivalent thereof) payable in installments over an approximately 18-month period. The gold payments (1,000 troy ounces) were valued at \$790,000.
- (4) See the description of the debentures under "Debt Financing" in the Annual MD&A, which include C\$1.5 million Amended Debenture issued upon completion of refinancing transactions with CCM and C\$550,000 Additional

*Debentures.*

- (5) *\$6.1 million principal amount are currently outstanding and are repayable in cash installments at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively. The Company has reached agreement to extend the repayment date of the Notes by one year to August 31, 2017, 2018 and 2019, respectively. See the description above under "Liquidity and Capital Resources".*

Details and a discussion of the environmental litigation are included in the "Environmental Matters and Environmental Litigation" section above and in Note 16 Commitments and Contingencies to the Company's audited consolidated financial statements for the year ended December 31, 2016.

***Additional Information***

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

May 29, 2017