

**Atlanta Gold Inc.**

**Interim Management Discussion and Analysis**

**Quarterly Highlights**

**For the Three Months ended March 31, 2018 and 2017**

**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, 2018.

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, 2017 (the “**Annual MD&A**”), the audited annual consolidated financial statements of the Company for the years ended December 31, 2017 and 2016 and the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2018 and 2017, 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, 2018 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at May 29, 2018 unless otherwise indicated.

The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018, 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.

The functional currency of the Company is Canadian dollars and the functional currency of the subsidiaries is U.S. dollars. The financial statements of entities that have a functional currency different from the presentation currency are translated into U.S. dollars. All amounts in the Management Discussion and Analysis are expressed in U.S. dollars and all amounts in financial tables, except per share amounts, are expressed in thousands of U.S. dollars, in each case unless otherwise indicated.

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 realization of economic and environmental benefits from the use of open pit and underground mining methods; the commencement of processing of the bulk samples from the Neal Property and the timing thereof; the completion of infill drilling, a bulk sample and other exploration and development initiatives at the Atlanta Project, including completion of pre-feasibility and additional baseline environmental studies and applications for operating permits, the timing thereof and the timing to obtain such operating; the completion of future financings by the Company and by Neal Development, LP and the timing thereof; the successful completion of negotiations with the Company’s lenders to, among other things, extend the repayment terms of the Company’s debentures and senior secured notes; and the continuance and enhancement of environmental initiatives, including the implementation of the Supplemental Plan of Operations, the installation of a water control plug and other water flow control mechanisms and the effectiveness of same on the water treatment system at the Atlanta Project. 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 payment by AGC of the environmental penalties, to fully implement the Supplemental Plan of Operations, to achieve its business objectives and to continue as a going concern; risks associated with the orders imposed by the Court in the environmental litigation against AGC; 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 in amounts sufficient to meet

the Company's requirements, the ability to control the flow of water to be treated by AGC near the Atlanta Project, 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, 2018, the Company has 76,147,083 shares issued and outstanding and stock options outstanding to purchase 4,750,000 common shares at price of C\$0.065 per share, expiring between May and July 2022.

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, USA, through the Company's wholly-owned subsidiary, Atlanta Gold Corporation (“**AGC**”). AGC also controls the mining rights to the Neal Mining Project through its subsidiary, Mineral Point, LLC which is the general partner of Neal Development LP (the “**Partnership**”), which in July 2015 commenced exploration and development. The Neal open pit gold mine operation 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 2018 are as follows:

Subsequent to the Court's ruling, AGC made several operating changes to the 900-level water treatment system to help aid in meeting discharge parameters. During mid to late 2017 and through early 2018, the water treatment system has been substantially in compliance with the water discharge parameters

The Company has not paid the principal instalment payment on the senior secured notes (the "Notes") due on August 31, 2017 and the principal and interest payments on the convertible debentures due on April 1, 2018. The Company remains subject to significant financing and litigation risks, as more fully described herein.

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

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

AGC holds a five-year lease on the Neal Property, expiring in 2020, and has staked an additional seven contiguous claims on public land that are open to mineral entry. The Neal Property is contiguous to Forest Service Road 189, 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. The Neal Property is hosted within the same granodiorite structure of the Idaho Batholith as the Atlanta Project. The Neal Property is at a much lower elevation than the Atlanta Project and will generally allow year-round access to mineralized material.

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. Onsite open pit mining will be managed by AGC personnel and excavation of gold bearing material will utilize local earthmoving contractors. Offsite processing of the gold bearing materials is contemplated to be conducted by a custom milling plant. Opportunities for custom milling of the gold bearing materials are currently being explored at various operations in the Nevada area, which have excess capacity so as to be able to undertake custom milling of the gold bearing materials.

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 2018, subject to funding.

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 2018. Continued delays in obtaining additional funding will result in the Partnership delaying or postponing its programs on the Neal Property and could result in the approvals for the reclamation plan being revoked. 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 many years of drilling and exploration work at the Atlanta Project, it is felt that the project is fairly well understood along strike for 6,000 feet and approximately 30 – 80 feet wide and to a depth of 500 to 600 feet on both the Atlanta and Idaho mineralized gold zones. Additional drilling is needed to infill between the Atlanta and Idaho mineralized gold zones. This drilling is expected to add additional resources of similar gold grades encountered in the previous drilling phases. Deep drilling below the 600 foot level is also needed to define potential underground mineralized gold zone targets. This drilling is projected to add additional higher grade gold resources. Additional bulk sampling and metallurgical work is also needed to define the best gold recovery process for the Atlanta gold ores and at the same time to select the best environmentally accepted recovery process for compatibility with the environmentally sensitive area the Atlanta Project is located in. Exploration work on the Atlanta Project can be expected to commence in mid to late 2018 when funding is available.

It should be noted that the mineralization at the Neal project appears to have different metallurgy when compared to the Atlanta Project ores. Therefore, there can be no assurance that the recovery process for the Neal Project will relate to the Atlanta Project in the future and be a template for a gold recovery process at the Atlanta Project.

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

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. 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 Pilot Water Treatment Facility (“**PWTF**”) which treated all water flowing from the Adit to remove significant levels of naturally-occurring contaminants, including arsenic. AGC

does not hold any interest in the land on which the Adit is located nor does it have any right to use the groundwater that is discharged from the Adit. Subsequent to construction of the PWTF, permitted limits for effluents, including for arsenic, were significantly reduced. The permitted discharge limit for arsenic was reduced from 190 to 10 micrograms per liter (10 µ/L) or parts per billion. The PWTF as constructed in 2006 was not capable of meeting these significantly lower limits. AGC subsequently modified its treatment regime in 2012 based on opinions received from consultants engaged to evaluate various treatment options. 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**”). The Company has made annual improvements and modifications to the PWTF. While AGC is generally able 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 water flows, continuous compliance cannot be maintained without establishing control of the flow of water emanating from the Adit. The issue of flow control during high runoff seasons caused by naturally occurring events is beyond the current design capacity of the PWTF.

AGC and the U.S. Forest Service (“**USFS**”) are in discussions to develop a Supplemental Plan of Operations (“**SPOO**”) to determine the best option to close the 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, 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. Plugging of the 900 tunnel could be expected to occur in 2019 and 2020.

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

In 2012, the U.S. District Court for the State of Idaho held that AGC had failed to comply with the effluent limits of the United States Federal Water Pollution Control Act (the “**Clean Water Act**”) and in September 2013, imposed a penalty in the amount of \$2 million, payable in quarterly installments until September 2018. The penalty bears interest at 0.1% per annum from November 28, 2012. AGC has made aggregate payments to date of \$325,000 but to date is in arrears of payments due totaling \$1,125,000. The penalty amount is secured against four generators owned by AGC. In November 2016, the plaintiffs in the original action brought a motion to reopen the above described decision of the U.S. District Court in Idaho, requesting that AGC be held in civil contempt and that additional penalties and enforcement remedies be imposed. On September 15, 2017, the Court granted the motion for civil contempt and ruled that: (1) AGC be required to make improvements to its water treatment system so as to bring the system into substantial compliance with the subject permit no later than August 30, 2018; (2) additional penalties for the permit violations be imposed upon AGC in the amount of \$251,000; and (3) if AGC fails to bring its water treatment system into complete compliance by August 30,

2018, it will be fined an additional \$251,000.

Subsequent to the Court's ruling, AGC made several operating changes to the 900-level water treatment system to help aid in meeting discharge parameters. During mid to late 2017 and through early 2018, the water treatment system has been substantially in compliance with the water discharge parameters.

### ***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 and AGC's obligations, plans and programs, including completing improvements to AGC's water treatment system and payment of Court imposed penalties, and initiation of pilot scale gold processing in advance of commercial gold production, remain 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. The Company was successful during the second quarter of 2017 of issuing common shares valued in excess of C\$3.1 million in new equity and satisfaction of existing indebtedness and in negotiating the amendment of certain of the repayment terms of the Company's \$6.1 million principal amount Notes. However, as described under "Liquidity and Capital Resources", significant additional funding is required. 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, the previous decline in gold prices and the environmental litigation 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 significant 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 penalties. 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.

The Company has issued to holders of its Notes, options to purchase gold at a price of \$1,100

per ounce. If AGC is unable to obtain sufficient gold from its projects prior to the exercise of the gold options, it will be necessary for the Company 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 effect on the financial condition, business and operations of the Company.

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, 2017 (the “Annual MD&A”).

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

#### ***Three months ended March 31, 2018 compared with three months ended March 31, 2017***

The Company’s general and administrative expenses for the three months ended March 31, 2018 increased by \$12,000 from the comparable 2017 period to \$104,000 (2017 - \$92,000), reflecting increases in stock-based compensation partially offset by decreases in salaries and management fees, travel and others.

Cash from the operating activities for the three months ended March 31, 2018 was \$140,000 (2017 – (\$160,000)), an increase of \$300,000 from the first quarter of 2017 due to the receipt of proceeds of selling equipment partially offset by the payment of accounts payables.

Cash from financing activities for the three months ended March 31, 2018 was \$52,000 (2017 - Nil), reflecting shareholder loans made to the Company.

Cash used in investing activities for the three months ended March 31, 2018 was \$148,000 (2017 - \$116,000) resulting from mineral property expenditures of \$132,000 (2017 - \$104,000) and the addition of property, plant and equipment of \$16,000 (2017 - \$12,000).

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, 2018	-	104	(856) <sup>(1)</sup> (4)	(0.01)	(0.01)
December 31, 2017	-	45	1,911 <sup>(1)</sup>	0.03	0.03
September 30, 2017	-	247	2,733 <sup>(1)</sup>	0.04	0.04
June 30, 2017	-	157	1,769 <sup>(1)</sup>	0.04	0.04
March 31, 2017	-	92	865 <sup>(1)</sup>	0.02	0.02
December 31, 2016	-	85	(994) <sup>(1)</sup> (4)	(0.03)	(0.02)
September 30, 2016	-	68	(415) <sup>(1)</sup> (4)	(0.01)	(0.01)
June 30, 2016	-	124	753 <sup>(1)</sup>	0.02	0.01

(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 first quarter of 2018 and in the fourth and third quarter of 2016 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 income totaled \$856,000 for the three months ended March 31, 2018, with both the basic and diluted income per share being \$0.01. This compares with a net loss of \$865,000 with both the basic and diluted loss per share of \$0.02 for the three months ended March 31, 2017.

The change of \$1,721,000 in net income was principally due to the strengthening, during the first quarter of 2018, of the U.S. dollar relative to the Canadian dollar compared with the first quarter of 2017. The Company had a foreign exchange income of \$1,294,000, 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 income of \$856,000. 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 2018 were \$154,000 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 2017 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.

Exploration and evaluation expenditures for the Atlanta Project for the three months ended March 31, 2018 and 2017 are shown in the table below.

	For the three months ended	
	March 31, 2018	March 31, 2017
<b>Opening Balance</b>	\$ 48,096,762	\$ 47,531,280
Equipment rental	(9,517)	8,764
Field expenses	201	195
Salaries	111,003	86,854
Lab analysis	612	-
Project administration	50,459	57,843
Depreciation - field equipment	1,256	1,214
<b>Total Increase During the Period<sup>(1)(2)</sup></b>	\$ 154,014	\$ 154,870
<b>Closing Balance</b>	\$ 48,250,776	\$ 47,686,150

- (1) Additions in the three months ended March 31, 2018 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, 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.

Neal Property, Idaho, USA:

Capital expenditures in the first quarter of 2018 were Nil.

In comparison, expenditures in the first quarter of 2017 were \$30,000 and included expenditures on project administration, permitting, geology/Geophysics and others.

Exploration and evaluation expenditures for the Neal Property for the three months ended March 31, 2018 and 2017 are shown in the table below.

	For the three months ended	
	March 31, 2018	March 31, 2017
<b>Opening Balance</b>	\$ 925,480	\$ 739,356
Geology/Geophysics	-	360
Engineering	-	376
Permitting	-	1,140
Project administration	15	28,321
<b>Total Increase During the Period<sup>(1)(2)</sup></b>	\$ 15	\$ 30,197
<b>Closing Balance</b>	\$ 925,495	\$ 769,553

(1) Additions in the three months ended March 31, 2018 were Nil.

(2) Additions in the three months ended March 31, 2017 include project administration, excavation, equipment rental, lab analysis, geology/geophysics and Reclamation Plan for process permitting.

**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 a combination of the debt financings described under "Debt Financing", and in respect of the Partnership, by means of the sale of limited partnership units.

The previous decline in gold prices and the challenging financial markets currently 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 has adversely affected the Company's share price and financing efforts.

The Company's cash position as at March 31, 2018 was \$45,000 compared to \$1,000 as at December 31, 2017. The Company's working capital deficiency as at March 31, 2018 was \$18,072,000 compared to a deficiency of \$17,606,000 as at December 31, 2017. The Company's working capital deficit as at the end of the first quarter of 2018 increased from that of December 31, 2017.

	As at	
	March 31, 2018	December 31, 2017
<b>Cash and cash equivalents excluding restricted cash</b>	\$ 45,000	\$ 1,000
Current assets	\$ 100,000	\$ 201,000
Current liabilities	(17,905,000)	(17,807,000)
<b>Working capital (deficiency) <sup>(1)</sup></b>	<b>\$ (17,805,000)</b>	<b>\$ (17,606,000)</b>

<sup>(1)</sup> *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.*

The significant working capital deficiency has resulted in the Company being in arrears in satisfying a number of its financial commitments. AGC is \$1,125,000 in arrears in payments under the penalty imposed by the Court under the Clean Water Act. The plaintiffs in the original Clean Water Act litigation brought a motion to reopen with the prior decision of the Court and in September 2017, the Court issued a new injunction requiring AGC to make improvements to its water treatment system so as to bring the system into substantial compliance with the subject permit no later than August 30, 2018, failing which AGC will be fined \$251,000. The Court also imposed an additional penalty on AGC of \$251,000. In order to comply with the Court's ruling, the Company will require additional funding to construct further improvements to the water treatment system and will require significant additional funding to enable AGC to pay the additional penalties imposed by the Court and to pay the outstanding balance of the original penalty imposed by the Court. Failure to comply with the Court's orders could lead to additional penalties being imposed against AGC by the Court, which penalties could be significant. The Company's outstanding Debentures in the principal amount of C\$2,050,000 and interest payments in the amount of C\$492,000 became due on April 1, 2018 and remain unpaid. In addition, payments of principal and interest on the Company's outstanding Notes in the aggregate amount of \$2,135,000 due on August 31, 2017 remain unpaid. The Company is continuing discussions with its lenders, with its largest shareholder, Jipangu and with others in respect of various financing alternatives to meet its financial commitments and current working capital requirements. During 2017 and in the first quarter of 2018, Jipangu has provided limited advances of funds, pending completion of a significant financing.

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 Company continues to seek additional near-term financing in the range of C\$5 to C\$7 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 and by the Partnership will be completed in a timely manner or at all. If completion of the financings continues to be 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 agreement can be reached with the Company's lenders or that AGC will be able to fund the requisite amounts required under the Court order in a timely manner or at all. If the Company's discussions with its lenders are ultimately unsuccessful, the lenders could seek to enforce their security on the Atlanta Project. If AGC's efforts to satisfy the requirements of the Court orders 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 or to reach agreements with the Company's lenders 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 remuneration of key management personnel during the three months ended March 31, 2018 was \$98,215 (March 31, 2017 - \$95,512) including \$90,347 (March 31, 2017 - \$95,512) of salaries and consulting fees and \$7,868 of stock-based compensation (March 31, 2017 - Nil). The remuneration of the Company's directors included \$27,271 of stock-based compensation during the three months ended March 31, 2018 (March 31, 2017 - Nil).

The Company had accrued \$679,030 of the Company's former CEO's salary including \$600,000 of principal accrued for the period from 2013 to 2016 and \$79,030 of outstanding interest. At December 31, 2017, \$668,530 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 \$68,530 of outstanding interest. This amount is unsecured, has no fixed terms of repayment and bears interest at the rate of 7% per annum. While the Company has accrued for what it believes to be the maximum liability to the former CEO, the liability could be substantially less due to the agreements reached between the former CEO and the Company from 2013 to 2016. In November 2017, the former CEO launched an action in the District Court of Idaho against the Company and AGC for breach of contract in respect of unpaid remuneration and damages seeking \$632,771 plus interest accrued thereon of damages and a penalty of three times the amount of wages owed him, an approximate total amount in excess of \$1,898,313 plus interest accruing thereon. The Company and AGC are defending this action.

At March 31, 2018, aggregate shareholders' loans of \$1,467,177 (December 31, 2017 - \$1,411,356) were payable to various shareholders of the Company, including to Allan Folk who is the Chair and a director of the Company. Of the total amount, \$356,856 (December 31, 2017 - \$352,059) was owed to Wm. Ernest Simmons, the former President and CEO 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. The remaining shareholder loans of \$1,110,321 (December 31, 2017 - \$1,059,297) were from shareholders. The loans bear interest of 8% per annum and are repayable on demand.

### ***Contingencies and Commitments***

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

(\$ in 000's)

	Total	Payments Due by Period		
		Years 1 to 2	Years 3 to 4	Beyond Year 4
Head office	8	8		
Penalty, attorney fees and litigation costs <sup>(6)</sup>	1,926	1,926	-	-
Shareholders' loans	1,467	1,467	-	-
Rehabilitation provisions - Atlanta gold property <sup>(1)</sup>	1,082	1,082	-	-
Rehabilitation provisions - Brodeur diamond property <sup>(2)</sup>	82	82	-	-
Convertible loan <sup>(3)</sup>	1,746	1,746	-	-
Convertible debentures <sup>(4)</sup>	1,972	1,972	-	-
Senior secured notes <sup>(5)</sup>	7,564	7,564	-	-
Operating leases	67	67	-	-
Other long-term obligations	30	20	10	-
<b>Total Contractual Obligations</b>	<b>15,944</b>	<b>15,934</b>	<b>10</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 \$774,000.
- (4) See the description of the Debentures above under "Debt Financing-Convertible Debentures".
- (5) \$6.1 million principal amount Notes are currently outstanding and are repayable in cash installments at the rate of 25%, 35% and 40% on August 31, 2017, 2018 and 2019, respectively. See the description above under "Debt-Financing-Senior Secured Notes".
- (6) AGC is subject to a Court order requiring it to pay penalties for violations of the Clean Water Act. AGC is in arrears in respect of these payments. The penalty bears interest at 0.1% per annum and is secured against four generators owned by AGC. Please refer to the section herein entitled "Environmental Matters". Please also refer to Note 16 Commitments and Contingencies in the Company's audited consolidated financial statements for the year ended December 31, 2017

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, 2017.

### **Additional Information**

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

May 29, 2018