ATLANTA GOLD INC.

Atlanta Gold Inc.

Consolidated Financial Statements

December 31, 2015

(Expressed in U.S. Dollars)

Management's Report on the Consolidated Financial Statements

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

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

"Ernie Simmons "	"Peili Miao"
Wm. Ernest (Ernie) Simmons	Peili Miao
Director & President & CEO	CFO

Toronto, Ontario, Canada
April 26, 2016

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

April 28, 2016

Independent Auditor's Report

To the Shareholders of Atlanta Gold Inc.

We have audited the accompanying consolidated financial statements of Atlanta Gold Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity and cash flow for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

PricewaterhouseCoopers LLP
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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atlanta Gold Inc. and its subsidiaries as at December 31, 2015 and 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

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

	December 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 107,559**	$ 24,354
Restricted cash (note 4)	**559,018**	-
Marketable securities	**26,768**	79,843
Recoverable taxes	**11,188**	10,609
Other receivables	**4,408**	-
Prepaid expenses	**87,624**	62,416
Total current assets	**796,565**	177,222
Exploration and evaluation assets (note 5)	**47,066,168**	45,821,963
Property, plant and equipment (note 6)	**616,648**	1,577,266
Total assets	**$ 48,479,381**	$ 47,576,451
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities (note 13)	**$ 2,261,123**	$ 1,868,670
Penalty payable to U.S. Treasury (note 15)	**1,725,000**	1,850,000
Promissory note (note 8(b))	**424,717**	424,717
Shareholders' loans (note 13)	**1,041,659**	986,275
Convertible loan (note 8(d))	**667,947**	540,140
Convertible loan - embedded derivatives (note 8(d))	**263,245**	111,461
Rehabilitation provisions (notes 14 and 15)	**157,575**	264,141
Senior secured notes - current (note 8(c))	**1,485,402**	1,000,000
Convertible debenture (note 8(a))	**-**	2,586,000
Convertible debenture - embedded derivatives (note 8(a))	**-**	261,580
Total current liabilities	**8,026,668**	9,892,984
Non-current liabilities		
Rehabilitation provisions (notes 14 and 15)	**965,000**	965,000
Senior secured notes (note 8(c))	**4,495,957**	3,204,065
Convertible debentures (note 8(a))	**1,196,248**	-
Convertible debentures - embedded derivatives (note 8(a))	**397,881**	-
Convertible debenture - gold options (note 8(a))	**146,940**	-
Total liabilities	**$ 15,228,694**	$ 14,062,049

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

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

	December 31, 2015	December 31, 2014
EQUITY		
Capital stock (notes 9(a)(d)(e))	**$ 89,813,520**	$ 89,671,149
Warrants (notes 9(b))	**826,952**	1,000,109
Contributed surplus	**10,118,439**	9,927,722
Accumulated deficit	**(52,541,471)**	(59,078,815)
Accumulated other comprehensive loss	**(16,048,419)**	(8,005,763)
Total equity attributable to Atlanta Gold Inc. shareholders	**32,169,021**	33,514,402
Non-controlling interests (note 10)	**1,081,666**	-
Total equity	**33,250,687**	33,514,402
Total liabilities and equity	**$ 48,479,381**	$ 47,576,451

Nature of operations and going concern (note 1)
Commitments and contingencies (note 15)
Subsequent events (note 17)

Approved by the Board:

"Jim Gray"
James K. Gray
Director

"Allan Folk"
Allan J. Folk
Director

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

ATLANTA GOLD INC.

(An exploration stage company)
Consolidated Statements of (Income) Loss and Comprehensive Loss
(Expressed in U.S. Dollars)
Years Ended December 31, 2015 and 2014

	December 31, 2015	December 31, 2014
General and administrative expenses:		
Professional fees	**$ 263,834**	$ 309,416
Salaries and management fees (note 13)	**91,507**	110,481
Administrative and office	**79,148**	106,161
Investor relations	**88,012**	158,200
Travel and accommodation	**438**	1,625
	522,939	685,883
Write-down of Amity property (note 6)	**570,824**	-
Decommissioning provisions	**-**	28,922
Exploration and evaluation expense	**946**	1,176
	1,094,709	715,981
Finance items:		
Finance costs (note 8)	**909,993**	588,996
Gain on sale of claims	**-**	(117,395)
Gain on shares-for-interest	**-**	(81,539)
Unrealized loss on marketable securities	**43,465**	33,541
Gain on refinancing of convertible debenture (note 8(a))	**(285,775)**	-
Accretion of convertible debentures, senior secured notes and convertible loan (notes 8(a)(c)(d))	**509,258**	1,815,180
Financial assets at fair value through profit or loss		
- Embedded derivatives (notes 8(a)(d))	**365,368**	(336,945)
- Gold options (notes 8(c)(d))	**(492,374)**	8,039
Gain from foreign currency transactions (note 11(b))	**(8,663,654)**	(4,909,440)
	(7,613,719)	(2,999,563)
(Income) before income taxes	**(6,519,010)**	(2,283,582)
Non-controlling interests (note 10)	**(18,334)**	-
Net (income)	**(6,537,344)**	(2,283,582)
Other comprehensive loss		
Items that may subsequently be reclassified through profit and loss		
Foreign currency translation adjustment (note 11(b))	**8,042,656**	4,584,279
Net loss and comprehensive loss for the year	**$ 1,505,312**	$ 2,300,697
Weighted average number of consolidated shares outstanding (note 12)		
Basic	**26,726,059**	26,000,267
Diluted	**43,312,383**	29,714,382
Net income per share (note 12)		
Basic	**$ (0.24)**	$ (0.09)
Diluted	**$ (0.15)**	$ (0.08)

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

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Cash Flow
(Expressed in U.S. Dollars)
Years Ended December 31, 2015 and 2014

	December 31, 2015	December 31, 2014
Cash provided by (used in)		
Operating activities:		
Net income (loss) for the year	**$ 6,537,344**	$ 2,283,582
Add (deduct) items not involving cash:		
Write-down of Amity property (note 6)	**570,824**	-
Decommissioning provisions	**-**	28,922
Gain on sale of claims	**-**	(117,395)
Gain on shares-for-interest	**-**	(81,539)
Unrealized loss on marketable securities	**43,465**	33,541
Finance costs	**752,532**	584,815
Gain on refinancing of convertible debenture (note 8(a))	**(285,775)**	-
Financial assets at fair value through profit or loss		
- Embedded derivatives (notes 8(a)(d))	**365,368**	(336,945)
- Gold options (notes 8(c)(d))	**(492,374)**	8,039
Accretion of convertible debentures and senior secured notes (notes 8(a)(c)(d))	**509,258**	1,815,180
Non-controlling interests (note 10)	**(18,334)**	-
Foreign exchange	**(8,592,983)**	(4,848,703)
Net change in non-cash working capital	**(226,083)**	40,425
Net cash used in operating activities	**(836,758)**	(590,078)
Financing activities:		
Loans from shareholders	**65,029**	664,100
Proceeds from convertible loan	**-**	600,000
Proceeds from senior secured notes	**600,000**	-
Proceeds from convertible debentures (note 8(a))	**397,399**	-
Proceeds from Partnership financing (note 10)	**1,100,000**	-
Proceeds from share issuance (note 9(e))	**142,373**	-
Net cash from financing activities	**2,304,801**	1,264,100
Investing activities:		
Exploration and evaluation asset	**(895,223)**	(934,931)
Payment of rehabilitation provisions	**(91,923)**	(207,246)
Property, plant and equipment	**161,326**	(228,903)
Net cash used in investing activities	**(825,820)**	(1,371,080)
Increase (Decrease) in cash and cash equivalents	**642,223**	(697,058)
Cash and cash equivalents, beginning of year	**24,354**	721,412
Cash and cash equivalents, end of year	**$ 666,577**	$ 24,354
Cash and cash equivalents	**$ 107,559**	$ 24,354
Restricted cash (note 4)	**559,018**	-
Interest paid	**$ 56,819**	$ 1,119

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

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Cash Flow (continued)
(Expressed in U.S. Dollars)
Years Ended December 31, 2015 and 2014

	December 31, 2015	December 31, 2014
Net change in non-cash working capital items		
Recoverable taxes	**$ (579)**	$ 7,972
Other receivables	**(4,408)**	-
Prepaid expenses	**(25,208)**	9,817
Accounts payable and accrued liabilities	**(320,888)**	97,636
Penalty payable to U.S. Treasury	**125,000**	(75,000)
	$ (226,083)	$ 40,425
Significant non-cash financing and investing activities		
Capitalized depreciation (note 6)	**$ 454,273**	$ 457,552
Change of estimate of rehabilitation provisions (note 14)	**(14,643)**	28,922
Warrants issued as finance costs (note 9(b))	**17,560**	-
Shares issued in satisfaction of senior secured notes interest	**-**	413,150

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

ATLANTA GOLD INC.
(An exploration stage company)
Consolidated Statements of Changes in Equity
(Expressed in U.S. Dollars, except for shares and per share amounts)
Years Ended December 31, 2015 and 2014

	Number of Shares (adjusted for share consolidation) (note 9(d))	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance - January 1, 2014	25,704,157	$ 89,340,632	$ 910,205	$ 10,017,626	$(61,362,397)	$ (3,421,484)	$ 35,484,582
Shares issued in satisfaction of senior secured notes interest - at C$0.50 per consolidated common share	900,669	330,517	-	-	-	-	330,517
Warrants extension	-	-	89,904	(89,904)	-	-	-
Net income for the year	-	-	-	-	2,283,582	-	2,283,582
Foreign currency translation adjustment	-	-	-	-	-	(4,584,279)	(4,584,279)
Balance - December 31, 2014	26,604,826	$ 89,671,149	$ 1,000,109	$ 9,927,722	$(59,078,815)	$ (8,005,763)	$ 33,514,402

ATLANTA GOLD INC.

(An exploration stage company)
Consolidated Statements of Changes in Equity (continued)
(Expressed in U.S. Dollars, except for shares and per share amounts)
Years Ended December 31, 2015 and 2014

	Number of Shares (adjusted for share consolidation) (note 9(d))	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance - January 1, 2015	26,604,826	$ 89,671,149	$ 1,000,109	$ 9,927,722	$(59,078,815)	$ (8,005,763)	$ 33,514,402
Shares issued							
- at C$0.069 per common share, net of share issue costs (note 9(e))	2,950,000	142,371	-	-	-	-	142,371
Compensation warrants issued on issuance of convertible debentures (notes 9(b))	-	-	17,560	-	-	-	17,560
Warrants expiring unexercised (note 9(b))	-	-	(190,717)	190,717	-	-	-
Net income for the year	-	-	-	-	6,537,344	-	6,537,344
Foreign currency translation adjustment	-	-	-	-	-	(8,042,656)	(8,042,656)
Balance - December 31, 2015	29,554,826	$ 89,813,520	$ 826,952	$ 10,118,439	$(52,541,471)	$(16,048,419)	$ 32,169,021

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

1. Nature of operations and going concern

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

The Company's primary property is its Atlanta Gold Property ("Atlanta"), located in Idaho, U.S.A. Atlanta is in the advanced exploration phase. The Company also holds a leasehold interest on five patented lode claims known as the Neal Property and staked an additional seven contiguous claims on public land that were open to mineral entry, also located in Idaho, U.S.A. The Company sold its Québec gold properties in November 2014. As no further work was planned on the Quebec properties, the carrying value for those properties had previously been written off.

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

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they become due. As at December 31, 2015, the Company had a deficit of $52,541,471 and no source of operating cash flows. The Company's current liabilities exceeded its current assets by $7,230,103 as of December 31, 2015. The Company's wholly owned subsidiary, Atlanta Gold Corporation ("AGC"), failed to make partial environmental penalty payments due on March 31, 2015 and payments due on June 30, 2015, September 30, 2015, December 31, 2015 on time in the total amount of $275,000 as of December 31, 2015. The United States Attorney may potentially bring enforcement proceedings against AGC for collection of the judgment. In January 2016, the mortgagee of AGC's East Amity Road Property notified AGC of its intent to foreclose on the mortgage. (note 17). These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. In view of these circumstances, the Company requires additional immediate financing to settle its existing liabilities and to complete its planned exploration and evaluation program on Atlanta and the Neal Property, and will continue to explore financing alternatives to raise capital. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms or that the Company will achieve profitable operation.

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

2. Basis of preparation

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

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

These consolidated financial statements were approved by the board of directors for issue on April 26, 2016.

3. Significant accounting policies

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

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

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

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

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

All financial information is presented in USD unless otherwise stated.

3. Significant accounting policies (continued)

Functional currency (continued)

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

Financial instruments (continued)

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

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

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

Impairment of financial assets

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

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

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

Property, plant and equipment

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

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

3. Significant accounting policies (continued)

Exploration and evaluation asset

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

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

Impairment of non-financial assets

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

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

Current and deferred income tax

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

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

Share capital

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

3. Significant accounting policies (continued)

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

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

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

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

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

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

Accounting standards issued but not yet applied
The following new standards, new interpretations and amendments to standards and interpretations have been issued but are effective for financial years beginning January 1, 2015 or after and have not been early adopted. Pronouncements that are not applicable to the Company have been excluded from those described below. The Company does not expect significant impacts upon adoption of the following standards.

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

ii) IFRS 11 Joint Arrangements, was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact, if any, on the Company.

3. Significant accounting policies (continued)

Accounting standards issued but not yet applied (continued)

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

Significant accounting judgments and estimation uncertainties

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

(i) Valuation of exploration and evaluation assets and other long lived assets

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

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

As at December 31, 2015, the Company determined that there were no indicators of impairment in carrying values of mining properties or any other long lived assets or cash generating units (CGU) except for the property, plant and equipment. (note 6)

(ii) Useful economic life of property, plant and equipment

The cost less the residual value of each item of property, plant and equipment is amortized over its useful economic life. Amortization is charged to cost of production over the estimated lives of the individual assets. Amortization commences when assets are available for use. Land is not amortized.

The assets' useful lives and methods of amortization are reviewed and adjusted if appropriate on an annual basis.

3. Significant accounting policies (continued)

Significant accounting judgments and estimation uncertainties (continued)

(iii) Calculation of share-based compensation expense

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

(iv) Income taxes

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

(v) Convertible debentures

The fair value of the convertible debentures and their conversion components were estimated by using a range of fair values based on the valuation of the convertible debentures, the convertible debentures without the conversion option, the call option, as well as an expectation of an upper and lower end of a credit spread and a fair value calculation using risk statistics for convertible bonds. The calculation included time varying call options as well as soft calls, forced conversion at maturity, cash payments on conversion and capped conversion price, using a function of finite difference methods. (note 8(a))

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

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options. (note 8(c))

Embedded derivatives, including the conversion option, call option and gold forward were estimated by using a range of fair values based on the valuation of the convertible loan, the convertible loan without the conversion option, the call option, as well as an expectation of an upper and lower end of a credit spread and a fair value calculation using risk statistics for convertible bonds. The calculation included time varying call options as well as soft calls, forced conversion at maturity, cash payments on conversion and capped conversion price, using a function of finite difference methods. (note 8(d))

(Expressed in U.S. Dollars)

3. Significant accounting policies (continued)

Significant accounting judgments and estimation uncertainties (continued)

(vii) Rehabilitation provisions

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

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

4. Restricted cash

Cash and cash equivalents held by Neal Development, LP (the "Partnership"), a subsidiary of the Company, are contractually not available for general corporate purposes, except for amounts as provided for in the Partnership agreement governing profit distribution and fees to be paid to the Company for processing, general, administrative and other services to the Partnership. (note 10)

5. Exploration and evaluation assets

	Atlanta Gold Property	Neal Property	Total
Balance at January 1, 2014:	44,274,702	-	$ 44,274,702
Additions	1,492,893	54,368	1,547,261
Balance at December 31, 2014	45,767,595	54,368	45,821,963
Additions	1,027,217	216,988	1,244,205
Balance at December 31, 2015	46,794,812	271,356	**$ 47,066,168**

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

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

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

(a) Monarch Greenback LLC

On April 28, 2011, AGC exercised its option to purchase a 100% interest in a property comprised of 33 mining claims totaling approximately 430 acres (the “Monarch Property”) from Monarch Greenback LLC (“Monarch”) for $3,075,000. Monarch retained a variable net smelter return royalty, varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding $665 per ounce. As at December 31, 2015, advance royalty payments of $1,500,000 had been paid by AGC to Monarch and will be deducted from future royalty payments to Monarch.

5. Exploration and evaluation assets (continued)

Atlanta Gold Property, Idaho, U.S.A. (continued)

(b) Hill & Davis

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

(c) F. C. Gardner

AGC leases lode claims pursuant to a lease agreement, as amended, with F. C. Gardner. The lease expired on April 18, 2016 and it has been agreed by the parties to renew the lease for a minimum of 5 years and possibly 10 years. Lease payments are currently $10,000 per year and are treated as minimum annual advance royalties. If these claims go into commercial production before expiry of the lease, then the annual minimum advance royalty will be $20,000. If this property is mined, F. C. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at December 31, 2015, advance royalty payments of $218,500 (December 31, 2014 - $208,500) have been made and will be deducted from any future royalty payments to F. C. Gardner.

(d) Hollenbeck Properties LLC

AGC leases 10 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease has been extended to November 14, 2016. The Company is in the process of negotiating the purchase of the properties. Lease payments of $10,000 per year are treated as minimum advance royalties. If this property goes into commercial production, then the annual minimum advance royalty will be $20,000. If it is mined, Hollenbeck will receive a 4.25% NSR, from which all advance royalty payments shall be deducted. As at December 31, 2015, advance royalty payments of $332,500 (December 31, 2014 - $312,500) had been paid and will be deducted from any future royalty payments to Hollenbeck.

Annual rental and advance royalty payments are required to keep lease agreements in good standing for the properties that collectively comprise Atlanta. Advance royalty payments to lessors are credited against future royalty payments payable on production. As at December 31, 2015, advance royalty payments totaling $2,051,000 (December 31, 2014 - $2,021,000) will be deducted from any future royalty payments to lessors / royalty holders.

Neal Property, Idaho, U.S.A.

AGC holds a five-year lease expiring July 2020 of 5 patented claims known as the Neal Property and staked an additional seven contiguous claims on public land that were open to mineral entry. The annual lease payments consist of a $3 per dry ton tonnage royalty and a 3% net smelter return royalty, with a minimum annual payment of $10,000. AGC has advanced $15,000 which payment will be deducted from future lease payments and/or production/royalty payments.

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

Mineral Point, LLC is the General Partner of the Partnership and holds 100 units of the Partnership. In June 2015, the Partnership completed an initial financing for proceeds of $1,100,000 and 44 units were subscribed for. The Partnership commenced exploration activity in mid-July, 2015. (note 10)

(Expressed in U.S. Dollars)

6. Property, plant and equipment

	Land	Building, Field Equipment and Other	Total
At January 1, 2014:			
Cost	$ 833,969	$ 3,252,904	$ 4,086,873
Accumulated depreciation	-	(2,300,958)	(2,300,958)
Opening Net Book Value at January 1, 2014	833,969	951,946	1,785,915
Year ended December 31, 2014:			
Opening Net Book Value at January 1, 2014	833,969	951,946	1,785,915
Additions	82,554	310,848	393,402
Disposals	-	(170,000)	(170,000)
Depreciation	-	(432,051)	(432,051)
Closing Net Book Value at December 31, 2014	$ 916,523	$ 660,743	$ 1,577,266

	Land	Building, Field Equipment and Other	Total
At January 1, 2015:			
Cost	$ 916,523	$ 3,393,752	$ 4,310,275
Accumulated depreciation	-	(2,733,009)	(2,733,009)
Opening Net Book Value at January 1, 2015	916,523	660,743	1,577,266
Year ended December 31, 2015:			
Opening Net Book Value at January 1, 2015	916,523	660,743	1,577,266
Additions	36,204	86,061	122,265
Written-down	(570,824)	-	(570,824)
Disposals	-	(76,544)	(76,544)
Disposals - accumulated depreciation reversal	-	18,758	18,758
Depreciation	-	(454,273)	(454,273)
Closing Net Book Value at December 31, 2015	$ 381,903	$ 234,745	$ 616,648
At December 31, 2015:			
Cost	$ 381,903	$ 3,403,269	$ 3,785,172
Accumulated depreciation	-	(3,168,524)	(3,168,524)
Closing Net Book Value at December 31, 2015	**$ 381,903**	**$ 234,745**	**$ 616,648**

(Expressed in U.S. Dollars)

6. Property, plant and equipment (continued)

All depreciation charges during the year ended December 31, 2015 and 2014 were capitalized to exploration and evaluation assets.

As of December 31, 2015, AGC's four generators on the East Amity Road property located in Boise, Idaho and an excavator have security interests against them (notes 13 and 15).

In 2011, AGC financed the acquisition of the East Amity Road Property by a combination of cash, equity and a three year promissory note secured by a mortgage on the property in the amount of $425,000 bearing interest of 7% per annum until its maturity in 2014, with unpaid amounts following the maturity date bearing interest of 10% per annum. The maturity date of the promissory note was extended to July 22, 2015 and interest was payable on a monthly basis. While in discussions with the lender in respect of a possible extension of the term of the loan and other alternatives, AGC defaulted on monthly interest payments. On January 19, 2016, the lender notified AGC of its intent to foreclose on the mortgage (notes 8(b) and 17). As a result, the book value of East Amity Road Property was written down to the face value of the promissory note and a loss of $570,824 was recognized.

7. Income taxes

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

For the years ended	December 31, 2015	December 31, 2014
Computed income tax at Canadian statutory tax rates	$ 1,713,844	$ 826,346
Permanent differences	35,725	10,652
Share issue costs	30,278	68,918
Unrealized foreign exchange	(2,879,770)	(1,309,409)
Foreign tax rate differential	(46,404)	-
Other	1,146,327	403,493
Income tax recovery	$ -	$ -

The Company's statutory tax rate was 26.50% in 2015 and 2014.

(Expressed in U.S. Dollars)

7. Income taxes (continued)

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

	December 31, 2015	December 31, 2014
Deferred income tax assets		
Property, plant and equipment	$ 378,246	$ 1,114,942
Non-capital loss carry forwards	3,207,734	1,767,237
Exploration and evaluation assets	775,513	-
Total deferred income tax assets	4,361,493	2,882,179
Deferred income tax liabilities		
Inter-company accounts	(2,073,042)	(1,020,133)
Convertible debentures	-	(249,245)
Exploration and evaluation assets	(1,838,860)	(1,114,942)
Senior secured notes	(442,497)	(267,546)
Convertible loan	-	(209,155)
Marketable securities	(7,094)	(21,158)
Total deferred income tax liabilities	(4,361,493)	(2,882,179)
Net deferred tax	$ -	$ -

Deferred income tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred tax assets of $7,914,095 as at December 31, 2015 (December 31, 2014 - $16,177,305) on the non-capital losses, capital losses, property, plant and equipment, exploration and evaluation assets, assets retirement obligations, cumulative eligible capital and share issuance costs.

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

(Expressed in U.S. Dollars)

7. Income taxes (continued)

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

Years Generated	Expiry Date	Amount
2006	2026	C$2,193,041
2007	2027	1,602,289
2008	2028	2,016,811
2009	2029	1,492,863
2010	2030	1,375,788
2011	2031	1,814,346
2012	2032	606,389
2013	2033	1,542,474
2014	2034	1,728,661
2015	2035	1,795,522
Non-Capital Losses		**C$16,168,184**

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

AGC has U.S. loss carry-forwards of approximately $6,199,121 expiring between 2016 and 2035, which are available to reduce future United States taxable income. The Company has not paid any income taxes during the last three taxation years.

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

(a) Convertible debentures

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

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

On April 1, 2015, the Company reached agreement with CCM to refinance the Debenture (the "Refinancing") which was completed on August 26, 2015. Under the terms of the Refinancing, principal and accrued interest on the Debenture totaling C$3,250,000 were satisfied by the issuance to CCM of an amended and restated convertible debenture in the principal amount of C$1,500,000

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

(a) Convertible debentures (continued)

(the "Amended Debenture") and the issuance to CCM of the Company's Senior Secured Notes in the principal amount of $1,500,000 (note 8(c)). $285,775 of gain on Refinancing was recognized to statement of (income) loss and comprehensive loss. The Amended Debenture bears interest of 10% per annum from April 1, 2015, matures April 1, 2018 and is convertible at CCM's option at a conversion price of C$0.10 per consolidated common share (note 9(d)). Pursuant to the terms of the Refinancing, the Amended Debenture and the security thereon rank equally with the Company's Senior Secured Notes. The Amended Debenture and the Senior Secured Notes are secured by the limited recourse guarantee of AGC and by a mortgage of AGC's interest in Atlanta.

The issuance of the Amended Debenture to CCM and the consolidation of the Company's common shares on a one for ten basis (as required pursuant to the terms of the Refinancing) were each approved by shareholders of the Company at the annual and special meeting of shareholders held on June 24, 2015 and the consolidation became effective on June 25, 2015 (note 9(d)).

The Amended Debenture involves two components: host debt and conversion options. The principal face value was allocated as follows:
i) Conversion options were valued at C$122,211 as of April 1, 2015 and classified as non-current liability. The fair value of the conversion options was valued at C$402,952 as at December 31, 2015 (December 31, 2014 - Nil).
ii) The host debt of C$1,183,150 was recorded as non-current liability at its initial fair value at the date of inception as of April 1, 2015 and subsequently measured at amortized cost as of December 31, 2015. The accretion interest has been charged to statement of (income) loss and comprehensive loss.

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

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

Concurrently with the completion of the Refinancing, on August 26, 2015, the Company completed a private placement for an additional C$550,000 (Converted into $397,399 as at December 31, 2015) principal amount convertible debentures (the "Additional Debentures") which rank equally with and have the same terms as the Amended Debenture, except that interest on the Additional Debentures accrues from the date of completion of the private placement. The Additional Debentures are secured in the same manner and rank equally in all respects with the Amended Debenture and the Senior Secured Notes. In connection with the issuance of the Additional Debentures, the Company paid a finder's fee of 192,000 warrants to Golden Capital Consulting Ltd. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of C$0.10 at any time prior to April 1, 2018. (note 9(b))

(Expressed in U.S. Dollars)

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

(a) Convertible debentures (continued)

The Additional Debentures involve two components: host debt and conversion options. The principal face value was allocated as follows:
i) Conversion options were valued at C$155,403 as of August 26, 2015 and classified as non-current liability. The fair value of the conversion options was valued at C$147,749 as at December 31, 2015 (December 31, 2014 - Nil).
ii) The host debt of C$394,597 was recorded as non-current liability at its initial fair value at the date of inception as of August 26, 2015 and subsequently measured at amortized cost as of December 31, 2015. The accretion interest has been charged to statement of (income) loss and comprehensive loss.

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

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

(b) Promissory note

On August 4, 2011, AGC financed the acquisition of the East Amity Road Property by a combination of cash, equity and a three year promissory note secured by a mortgage on the property in the amount of $425,000 bearing interest of 7% per annum until its maturity in 2014, with unpaid amounts following the maturity date bearing interest of 10% per annum. On March 5, 2014, the maturity date of the promissory note was extended to July 22, 2015 with all the other terms and conditions remaining the same. Interest is payable on a monthly basis. AGC subsequently defaulted on monthly interest payments while in discussions with the lender in respect of a possible extension of the term of the loan and other alternatives. On January 19, 2016, the lender notified AGC of its intent to foreclose on the mortgage (notes 6 and 17). The promissory note was carried at its initial fair value which was subsequently measured at its amortized cost as of December 31, 2015.

(c) Senior secured notes

Senior secured notes	Face value	Host debt Amortized costs Current	Host debt Amortized costs Non-current	Gold options Fair value Non-current	Gold options Ounces
Initial notes - August 19, 2013	$ 4,000,000	$ 1,000,000	$ 2,718,466	$ 251,099	4,180.0
Refinanced note - April 1, 2015	1,500,000	347,374	997,980	94,162	1,567.5
New note - May 11, 2015	600,000	138,028	396,585	37,665	627.0
Total	**$ 6,100,000**	**$ 1,485,402**	**$ 4,113,031**	**$ 382,926**	**6,374.5**

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

(c) Senior secured notes (continued)

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

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

Under the terms of the Refinancing, the Company, AGC and the holders of the Notes agreed to further extend the maturity date of the Notes by an additional year to August 31, 2018, to be repayable in cash installments at the rate of 25%, 35% and 40% on August 31, 2016, 2017 and 2018, respectively.

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

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

(Expressed in U.S. Dollars)

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

(c) Senior secured notes (continued)

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

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

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

(ii) Gold options were originally valued at $841,307 in total at the Measurement date and subsequently valued at fair market value to reflect the amended terms of the gold options. 25% of the total gold options will vest on August 31, 2016, 35% on August 31, 2017 and 40% on August 31, 2018. The key inputs on the gold options are gold price, convenience yield of gold and implied volatility of gold. The fair value of the gold options was valued at $251,099 as at December 31, 2015 (December 31, 2014 - $584,366).

(iii) The residual value of the host debt was $3,110,747 which was recorded as a current liability of $778,393 and a non-current liability of $2,335,179 at its initial fair value at the date of inception as of August 19, 2013 and subsequently measured at amortized costs as at December 31, 2015. The amortized costs of the host debt were $3,718,466 which was recorded as a current liability of $1,000,000 and a non-current liability of $2,718,466 as at December 31, 2015. (December 31, 2014 - host debt of $3,619,699 including current liability of $1,000,000 and non-current liability of $2,619,699)

Notes in the principal amount of $1,500,000 issued in connection with the Refinancing (note 8(a)) involve two components: host debt and gold options. The principal face value was allocated as follows on April 1, 2015 (“Measurement date”):

(i) Gold options were originally valued at $212,955 in total at the Measurement date and subsequently valued at fair market value to reflect the amended terms of the gold options. 25% of the total gold options will vest on August 31, 2016, 35% on August 31, 2017 and 40% on August 31, 2018. The key inputs on the gold options are gold price, convenience yield of gold and implied volatility of gold. The fair value of the gold options was valued at $94,162 as at December 31, 2015 (December 31, 2014 - Nil).

(ii) The residual value of the host debt was $1,283,609 which was recorded as a current liability of $320,902 and a non-current liability of $962,707 at its initial fair value at the date of inception as of at the date of inception as of April 1, 2015 and subsequently measured at amortized costs. The amortized costs of the host debt were $1,345,354 which was recorded as a current liability of $347,374 and a non-current liability of $997,980 as at December 31, 2015. (December 31, 2014 - Nil)

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

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

(c) Senior secured notes (continued)

(i) Gold options were originally valued at $89,023 in total at the Measurement date and subsequently valued at fair market value to reflect the gold options. 25% of the total gold options will vest on August 31, 2016, 35% on August 31, 2017 and 40% on August 31, 2018. The key inputs on the gold options are gold price, convenience yield of gold and implied volatility of gold. The fair value of the gold options was valued at $37,665 as at December 31, 2015 (December 31, 2014 - Nil).

(ii) The residual value of the host debt was $510,977 which was recorded as a current liability of $127,744 and a non-current liability of $383,233 at its initial fair value at the date of inception as of at the date of inception as of May 11, 2015 and subsequently measured at amortized costs. The amortized costs of the host debt were $534,613 which was recorded as a current liability of $138,028 and a non-current liability of $396,585 as at December 31, 2015. (December 31, 2014 - Nil)

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

(d) Convertible loan

On June 11, 2014, the Company borrowed $600,000 by means of a convertible loan. The loan is unsecured and non-interest bearing and is to be repaid by delivery to the lender of 1,000 troy ounces of gold (or the cash equivalent thereof) payable in installments over an 18-month period. The loan is convertible at the lender's election into common shares at a conversion price of C$0.50 per consolidated common share during the initial 12 months and at C$1.00 per consolidated common share thereafter. The lender also received a 5-year option to purchase, solely from gold produced from AGC's Neal Property, up to 2,500 ounces of gold at $1,400 per ounce.

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

(i) The host debt at the measurement date was valued at $182,321. The value of the host debt at December 31, 2015 is $600,000 (December 31, 2014 is $336,203).

(ii) Embedded derivatives, including the conversion option, call option and gold forward were valued at $184,629 at the Measurement date. These features were valued together as their values are interdependent. The fair values of the embedded derivatives at December 31, 2015 is $263,245 (December 31, 2014 is $111,461).

(iii) Gold options were valued at $233,050 in total at the Measurement date. The key inputs on the gold options are gold price, risk-free interest rate and implied volatility of gold. The value of the gold options at December 31, 2015 is $67,947 (December 31, 2014 is $203,937).

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

(Expressed in U.S. Dollars)

9. Share capital

(a) Authorized share capital

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

(b) Warrants

The following table summarizes the warrant transactions as follows:

	Number of Shares Adjusted for the Consolidation	FMV of Warrants at Date of Issue US$	Weighted Average Exercise Price C$
Outstanding as at January 1, 2014	5,973,333	910,205	1.20
Warrants extended for one year	-	89,904	-
Outstanding as at December 31, 2014	**5,973,333**	**1,000,109**	**1.20**
Compensation warrants issued on issuance of convertible debentures (note 8(a))	192,000	17,560	0.10
Warrants expired	(2,573,333)	(190,717)	1.34
Outstanding as at December 31, 2015	**3,592,000**	**826,952**	**1.03**

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

During the year ended December 31, 2015, in connection with the issuance of the Additional Debentures, the Company paid a finder’s fee of 192,000 warrants to Golden Capital Consulting Ltd. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of C$0.10 at any time prior to April 1, 2018. (note 8(a))

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

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

During the year ended December 31, 2015, 2,573,333 warrants (as adjusted to reflect the one for ten share consolidation) issued in 2012, and having a fair value at date of grant of $190,717, expired unexercised.

The weighted average exercise price of the warrants issued and outstanding on December 31, 2015 was C$1.03 (as adjusted to reflect the one for ten share consolidation).

(Expressed in U.S. Dollars)

9. Share capital

(c) Stock options

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

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

The following table summarizes the stock option transactions during the year ended December 31, 2015 (as adjusted to reflect the one for ten share consolidation):

	Number of Shares Adjusted for the Consolidation	Weighted Average Exercise Price Adjusted for the Consolidation C$
Outstanding as at January 1, 2014	410,500	2.80
Options expired or cancelled	(318,000)	3.10
Outstanding as at December 31, 2014	92,500	1.85
Options expired or cancelled	(92,500)	1.85
Outstanding at December 31, 2015	**-**	**-**

There are no stock options outstanding as of December 31, 2015. During the year ended December 31, 2015, 92,500 (December 31, 2014 – 318,000) stock options granted to consultants and employees expired unexercised. All of these options were granted when their exercise price equaled the fair value of the stock at grant date.

The Company did not grant any stock options during the years ended December 31, 2015 and 2014.

(Expressed in U.S. Dollars)

9. Share capital

(d) Share consolidation

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

(e) Private Placement

On December 16, 2015, the Company issued 2,950,000 common shares at a price of C$0.069 per share for gross proceeds of C$203,550.

10. Non-controlling interests

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

Mineral Point, LLC is the General Partner of the Partnership and holds 100 units of the Partnership. In June 2015, the Partnership completed an initial financing for proceeds of $1,100,000 and 44 units were subscribed for. The Partnership commenced exploration activity in mid-July, 2015. (note 4)

(a) Non-controlling interests continuity

	Neal Development, LLP
NCI in subsidiary at December 31, 2015 (44 of 144 units outstanding)	30.6%
At January 1, 2015	$ -
Share of income (loss)	(18,334)
Cash contributed	1,100,000
At December 31, 2015	$ 1,081,666

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

	Neal Development, LLP	
	December 31, 2015	December 31, 2014
Current assets	$ 608,630	$ -
Non-current assets	511,764	-
Total assets	$ 1,120,394	$ -
Current liabilities	$ -	$ -
Non-current liabilities	-	-
Total liabilities	$ -	$ -

(Expressed in U.S. Dollars)

10. Non-controlling interests (continued)

(b) Summarized financial information on subsidiary with material non-controlling interest (continued)
Summarized Statements of Income

	Neal Development, LLP	
For the years ended	December 31, 2015	December 31, 2014
Income (loss) from continuing operations	$ (60,000)	$ -

11. Financial instruments

(a) Fair value
Fair value of financial instruments

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

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

	Amortized Cost	Fair Value
Convertible debentures	$ 1,196,248	$ 1,530,518
Senior Secured Notes	$ 5,598,433	$ 4,462,246
Convertible loan	$ 600,000	$ 482,349

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

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

(Expressed in U.S. Dollars)

11. Financial instruments (continued)

(a) Fair value (continued)

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

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

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Marketable securities	$ 79,843	$ -	$ -	79,843
Convertible debentures				
- embedded derivatives	$ -	$ -	$ 261,580	$ 261,580
Convertible loan				
- embedded derivatives	-	-	111,461	111,461
Gold options	-	-	788,303	788,303
	$ 79,843	$ -	$ 1,161,344	$ 1,241,187

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

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

(Expressed in U.S. Dollars)

11. Financial instruments (continued)

(a) Fair value (continued)

Embedded derivatives		Level 3
Balance as at December 31, 2013	$	559,258
Gains and losses recognized in profit or loss, including foreign exchange		(370,846)
Issuance of convertible loan		184,629
Balance as at December 31, 2014	$	373,041

Gold options		Level 3
Balance as at December 31, 2013	$	547,211
Issuance of gold options		233,050
Gains and losses recognized in profit or loss		8,042
Balance as at December 31, 2014	$	788,303

There were no transfers between Level 1 and Level 2 in the years ended December 31, 2015 and December 31, 2014.

(b) Financial risk factors

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

Credit Risk

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

Liquidity Risk

The Company has no current source of operating revenue and is dependent on external financing to meet obligations when due. If additional financing is delayed or is not completed, the Company will, in the short term, be required to reduce planned expenditures and / or rely on other sources of funds, which may include additional shareholder loans. The Company may also consider the sale of non-core assets to assist it in meeting its ongoing capital requirements. In the longer term, the Company will require additional financing to finance its exploration and development activities and to meet its obligations. Additional funding may be in the form of equity and / or debt or also by obtaining direct investments in Atlanta by joint venture partners. The inability to obtain additional funding on a timely basis will have a material adverse effect on the financial condition, business and operations of the Company and AGC. As at December 31, 2015, the Company had a cash balance of $107,559 and restricted cash balance of $559,018 (December 31, 2014 - $24,354) to settle current liabilities of $8,026,668 (December 31, 2014 - $9,892,984). The Company has various commitments, as detailed in note 15.

(Expressed in U.S. Dollars)

11. Financial instruments (continued)

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

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

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

	December 31, 2014			
	Less than 3 months	3 months to 1 year	2 to 5 years	Over 5 years
Current liabilities				
Accounts payable and accrued liabilities	$1,458,335	$ 410,335	$ -	$ -
Penalty payable to U.S. Treasury	-	1,850,000	-	-
Senior secured notes - host debt component	-	1,000,000	-	-
Shareholders' loans	-	986,275	-	-
Promissory note	-	424,717	-	-
Convertible debt – embedded derivatives	-	261,580	-	-
Convertible debt – host debt component	-	2,586,000	-	-
Convertible loan	-	540,140	-	-
Non-current liabilities:				
Senior secured notes - host debt component	-	-	2,619,699	-
Senior secured notes - gold options	-	-	584,366	-
	$1,458,335	$8,059,047	$3,204,065	$ -

11. Financial instruments (continued)

(b) Financial risk factors (continued)

Market Risk

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

(i) Foreign currency risk

Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. The rate published by the Bank of Canada at the close of December 31, 2015 was 1.3840 Canadian dollars to one U.S. dollar.

Due to the strengthening during 2015 of the U.S. dollar relative to the Canadian dollar, the Company had a foreign exchange gain of $8,663,654, most of which was derived from translation of inter-company loans made by the Company to AGC, which are denominated in U.S. dollars, resulting in net income of $6,537,344. The financial statements are presented in U.S. dollars, so the Company's balances are translated from Canadian dollars to U.S. dollars. The translation of loans receivable from AGC to the Company from Canadian dollars into U.S. dollars has been recognized on the balance sheet in accumulated other comprehensive loss.

(ii) Commodity prices risk

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

(iii) Interest rate risk

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

Sensitivity analysis

As at December 31, 2015, if the currency had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been approximately $710,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated intercompany receivables, financial assets at fair value through profit or loss, debt securities classified as available-for-sale and foreign exchange losses/gains on translation of US dollar-denominated borrowings.

As at December 31, 2015, if the gold price had increased by 10%, the gold options' fair value would have increased by $207,305. If the gold price had decreased by 10%, the gold options' fair value would have decreased by $178,389.

Considering the sensitivity and judgment involved in the convertible debentures valuation, the estimated fair value of the embedded derivatives of $661,126 would change if there would be an increase of 10% in the credit spread by approximately $46,000 and if there would be a decrease of 10% in the credit spread by approximately $50,000.

12. Income per share

Basic income per share
The calculation of basic income per share for the year ended December 31, 2015 was based on the income attributable to common shareholders of $6,537,344 (December 31, 2014 - $2,283,582), and a weighted average number of consolidated common shares outstanding of 26,726,059 (December 31, 2014 - 26,000,267 as adjusted for the consolidation).

Diluted income per share
The calculation of diluted income per share for the year ended December 31, 2015 was based on the income attributable to common shareholders of $6,537,344 (December 31, 2014 - $2,283,582), and a weighted average number of consolidated common shares outstanding of 43,312,383 (December 31, 2014 - 29,714,382 as adjusted for the consolidation).

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

13. Related party transactions

The remuneration of key management personnel during the year ended December 31, 2015 was $391,420 (December 31, 2014 - $601,847), of which one-half of a senior officer's salary was unpaid and accrued at December 31, 2015. The Company had accrued $473,968 of a senior officer's salary including $449,176 of principal accrued for 2013, 2014 and 2015 and $24,792 of outstanding interest. At December 31, 2014, $314,029 was accrued for one-half of a senior officer's salary including $298,764 of principal accrued for 2013 and 2014 and $15,265 of interest. This amount is unsecured and has no fixed terms of repayment. The interest rate is 7% per annum on unpaid remuneration.

At December 31, 2015, Shareholders' loans of $1,041,659 (December 31, 2014 - $986,275) were payable to certain directors (Allan Folk, James Gray and Warren Holmes) and shareholders of the Company. Of the total amount, $313,500 (December 31, 2014 - $294,250) was owed to Wm. Ernest Simmons, the President, CEO and a director of the Company, for the purchase of equipment and it was evidenced by demand promissory notes bearing interest of 7% per annum and was secured against the equipment purchased (note 6). The remaining shareholder loans of $728,159 (December 31, 2014 - $692,025) were from directors and shareholders. The loans bear interest of 8% per annum and are repayable on demand.

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

(Expressed in U.S. Dollars)

14. Rehabilitation provisions

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

	Baffin Island Property	Atlanta Gold Property	Total
Balance as at January 1, 2014	$ 202,144	$ 1,324,000	$ 1,526,144
Change during the year			
Paid out	(152,528)	(54,718)	(207,246)
Change of estimate	10,724	(100,481)	(89,757)
Balance as at December 31, 2014	$ 60,340	$ 1,168,801	$ 1,229,141
Current	**$ 60,340**	**$ 203,801**	**$ 264,141**
Long-term	**$ -**	**$ 965,000**	**$ 965,000**
Balance as at January 1, 2015	$ 60,340	$ 1,168,801	$ 1,229,141
Change during the year			
Paid out	-	(91,923)	(91,923)
Change of estimate and foreign exchange adjustment	(9,765)	(4,878)	(14,643)
Balance as at December 31, 2015	$ 50,575	$ 1,072,000	$ 1,122,575
Current	**$ 50,575**	**$ 107,000**	**$ 157,575**
Long-term	**$ -**	**$ 965,000**	**$ 965,000**

A provision is recognized for the costs to be incurred for the restoration of the Baffin Island Property and the 900 adit at Atlanta. It is expected that $157,575 will be expended within one year and $965,000 in the year after. As at December 31, 2015, total expected costs to be incurred are $1,122,575 (December 31, 2014 - $1,229,141). Due to the near term of the settlement of the provisions, the costs estimated have not been discounted.

(Expressed in U.S. Dollars)

15. Commitments and contingencies

As at December 31, 2015, the Company had accrued current rehabilitation provisions of $157,575 (December 31, 2014 - $264,141) and accrued non-current rehabilitation provisions of $965,000 (December 31, 2014 - $965,000) relating to reclamation of the properties in the United States and Canada. These amounts represent the Company's best estimate of the costs expected to fulfill the obligation resulting from the conditions of the permit.

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

In September 2013, the Court entered a final judgment in this matter pursuant to which the penalty is to be paid over a five-year period, with the quarterly installments increasing in size annually to a maximum of $100,000 per quarter beginning in the third year and a balloon payment in the amount of $450,000 to be due September 30, 2018. AGC has made aggregate payments to date of $300,000. As of the date hereof, AGC is $250,000 in arrears of its payment schedule. The penalty amount bears interest at a rate of 0.1% per annum from November 28, 2012 and is secured by recording the Consent Judgment against AGC's four generators on the East Amity Road property located in Boise, Idaho. (note 6)

Penalty incurred	$2,000,000
Payments made during 2013	$75,000
Payments made during 2014	75,000
Payments due in 2014 paid in 2015	75,000
Payments due in 2015 paid in 2015	50,000
Payments due in 2015 paid in 2016	25,000
Payments due in 2015 are past due	250,000
Payments due in 2016	400,000
Payments due in 2017	400,000
Payments due in 2018	650,000
Total	$2,000,000

15. Commitments and contingencies

Royalty commitments (note 5)
Atlanta has the following royalty commitments :

Canadian American Mining Company, LLC
CAMC holds a 1% NSR royalty on Atlanta.

Monarch Greenback LLC
Monarch retained a variable net smelter return royalty, varying from 0.5% to a maximum rate of 3.5% for gold prices exceeding $665 per ounce. As at December 31, 2015, advance royalty payments of $1,500,000 had been paid by AGC to Monarch and will be deducted from future royalty payments to Monarch.

F. C. Gardner
AGC leases lode claims pursuant to a lease agreement, as amended, with F. C. Gardner. The lease expired on April 18, 2016 and it has been agreed by the parties to renew a minimum of 5 years and possibly 10 years. Lease payments are currently $10,000 per year and are treated as minimum annual advance royalties. If these claims go into commercial production before expiry of the lease, then the annual minimum advance royalty will be $20,000. If this property is mined, F. C. Gardner will receive a 6% NSR, from which all advance royalty payments shall be deducted. As at December 31, 2015, advance royalty payments of $218,500 (December 31, 2014 $208,500) have been made and will be deducted from any future royalty payments to F. C. Gardner.

Hollenbeck Properties LLC
AGC leases 10 patented and 5 unpatented claims pursuant to a lease agreement with Hollenbeck Properties LLC. The lease has been extended to November 14, 2016. The Company is in the process of negotiating the purchase of the properties. Lease payments of $10,000 per year are treated as minimum advance royalties. If this property goes into commercial production, then the annual minimum advance royalty will be $20,000. If it is mined, Hollenbeck will receive a 4.25% NSR, from which all advance royalty payments shall be deducted. As at December 31, 2015, advance royalty payments of $332,500 (December 31, 2014 $312,500) had been paid and will be deducted from any future royalty payments to Hollenbeck.

16. Capital management

The Company's objective when managing capital is to maintain the confidence of shareholders and investors in the implementation of its business plans by:

(i) maintaining sufficient levels of liquidity to fund and support its exploration and evaluation stage properties and other corporate activities. The Company has no current source of operating revenue and is dependent on external financing to to meet obligations when due. If additional financing is delayed or is not completed, the Company will, in the short term, be required to reduce planned expenditures and/or rely on other sources of funds, which may include additional shareholder loans. The Company may also consider the sale of non-core assets to assist it in meeting its ongoing capital requirements. In the longer term, the Company will require additional financing to finance its exploration and development activities and to meet its obligations. Additional funding may be in the form of equity and/or debt or also by obtaining direct investments in Atlanta by joint venture partners. The inability to obtain additional funding on a timely basis will have a material adverse effect on the financial condition, business and operations of the Company and AGC; and

16. Capital management (continued)

(ii) maintaining a strong balance sheet, to ensure ready access to debt and equity markets, to facilitate the development of major projects. Management monitors the Company's financial position on an ongoing basis.

Since the Company is in the exploration stage, all of the Company's capital comes from the issuance of equity and long term debt. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties, which requires the expenditure of significant funds before production commences. Historically, the Company has financed these activities through the issuance of common shares and debt instruments, the exercise of options and common share purchase warrants and extended terms from creditors. The Company has not declared or paid any dividends and does not foresee the declaration or payment of dividends in the near future. Any decision to pay dividends on its shares will be made by the board of directors on the basis of the Company's future earnings, financial requirements and other conditions existing at such future time.

Management reviews its capital management approach on an ongoing basis and believes this approach, given the Company's size, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2015.

17. Subsequent events

(i) On January 19, 2016, AGC agreed to transfer its rights in certain water treatment filter systems and methods (the "Technology") to HydroClean Resources LP ("HydroClean"), an Idaho limited partnership. AGC will hold a 45% limited partnership interest in HydroClean.

In addition to AGC, the initial limited partners will be G2T Technologies Inc. ("G2T"), a private Alberta corporation, as to a 45% interest and Mr. Simmons as to a 10% interest. James Gray, the Chairman of the Board of the Company, is a significant shareholder of G2T. G2T will transfer to HydroClean an existing patent for a method and apparatus to recover water from air so as to provide clean water and G2T has also agreed to pay all costs associated with obtaining a patent on the Technology. Mr. Simmons, the Company's CEO and a director, as coinventor, will hold a 10% carried interest in HydroClean until total partner contributions to HydroClean exceed $4 million.

(ii) On January 19, 2016, the holder of the promissory note and mortgage in respect of the East Amity Road Property (note 8(b)) notified AGC of its intent to foreclose on the mortgage (note 6) based on default of payment.

(iii) On March 7, 2016, the Company completed a private placement of 1,750,000 common shares for gross proceeds of C$120,750.