

ATLANTA GOLD INC.

(a development stage company)

Interim Report - Third Quarter

September 30, 2008

ATLANTA GOLD INC.*(a development stage company)***Consolidated balance sheets***(Canadian dollars) (unaudited)*

	As At September 30 2008 \$	As At December 31 2007 \$
Assets		
<i>Current assets</i>		
Cash and cash equivalents	313,966	245,856
Receivables	21,099	97,907
Prepaid expenses	42,772	144,858
Supply inventory	-	30,000
	<u>377,837</u>	<u>518,621</u>
<i>Mineral properties (note 4)</i>	32,522,698	29,386,255
<i>Property, plant and equipment (note 5)</i>	<u>674,774</u>	<u>410,947</u>
	<u>33,575,309</u>	<u>30,315,823</u>
Total assets		
Liabilities		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities (note 9)	1,253,056	2,602,628
<i>Future income tax liability</i>	<u>5,061,975</u>	<u>5,013,643</u>
	6,315,031	7,616,271
Shareholders' equity		
<i>Capital stock</i>	72,785,177	67,001,029
Warrants (note 6(a))	-	19,865
	<u>72,785,177</u>	<u>67,020,894</u>
Contributed surplus	4,840,556	4,228,619
Accumulated deficit	<u>(50,365,455)</u>	<u>(48,549,961)</u>
	27,260,278	22,699,552
	<u>33,575,309</u>	<u>30,315,823</u>
Total liabilities and shareholders' equity		

*Nature of operations and going concern (note 1)**Contingencies and commitments (note 10)*

These consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements included in the 2007 Annual Report.

ATLANTA GOLD INC.*(a development stage company)***Consolidated statements of loss, deficit, and comprehensive loss***(Canadian dollars) (unaudited)*

	Cumulative, since Inception (March 6, 1985) to September 30, 2008	Three months ended September 30		Nine months ended September 30	
		2008	2007	2008	2007
	\$	\$	\$	\$	\$
Interest and other income	1,915,963	2,346	5,453	38,754	26,308
General and administrative expenses :					
Salaries and management fees	6,830,873	123,652	89,324	371,959	225,840
Stock based compensation (note 7)	1,590,431	116,256	6,075	414,851	6,075
Professional fees	4,400,561	122,002	183,969	396,457	456,792
Investor relations	2,938,518	36,599	14,821	152,698	141,211
Interest	319,206	-	5,084	18,788	21,201
Administrative and office	4,127,591	30,536	51,892	179,219	165,969
Amortization	158,007	2,025	1,981	5,937	5,881
	20,365,187	431,070	353,146	1,539,909	1,022,969
Foreign exchange loss (gain)	115,703	33,894	(26,177)	42,034	(19,798)
Future income tax expense	2,027,802	48,332	416,968	48,332	1,017,164
Mineral property costs (recovery)	29,772,726	(11,450)	-	223,973	-
	52,281,418	501,846	743,937	1,854,248	2,020,335
Loss and comprehensive loss for the period	50,365,455	499,500	738,484	1,815,494	1,994,027
Accumulated deficit, beginning of period,	-	49,865,955	38,087,192	48,549,961	36,831,649
Accumulated deficit, end of period	50,365,455	50,365,455	38,825,676	50,365,455	38,825,676
Weighted average number of consolidated shares outstanding		29,287,070	17,372,044	28,072,750	17,372,044
Loss and comprehensive loss per share (basic and fully diluted)		0.02	0.04	0.06	0.11

*Nature of operations and going concern (note 1)**These consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements included in the 2007 Annual Report.*

ATLANTA GOLD INC.*(a development stage company)***Consolidated statements of cash flow***(Canadian dollars) (unaudited)*

	Cumulative, since Inception (March 6, 1985) to September 30, 2008	Three months ended September 30		Nine months ended September 30	
		2008	2007	2008	2007
	\$	\$	\$	\$	\$
CASH FLOW FROM (USED FOR):					
<i>Operating activities</i>					
(Loss) earnings for the period	(50,365,455)	(499,500)	(738,484)	(1,815,494)	(1,994,027)
Add (deduct) items not involving cash:					
Amortization	158,007	2,025	1,981	5,937	5,881
Future income tax expense	2,027,802	48,332	416,968	48,332	1,017,164
Mineral property costs written off	29,505,340	-	-	-	-
Stock-based compensation expense (note 7)	1,590,431	116,256	6,075	414,851	6,075
Increase (decrease) in non-cash working capital	1,597,371	780,789	202,586	(742,827)	(329,353)
	(15,486,504)	447,902	(110,874)	(2,089,201)	(1,294,260)
<i>Financing activities</i>					
Issuance of common shares, net of share issue costs	65,638,405	-	-	5,517,128	3,134,951
Issuance of flow through shares, net of share issue costs	12,853,631	-	-	-	-
	78,492,036	-	-	5,517,128	3,134,951
<i>Investing activities</i>					
Fixed asset additions	(1,141,718)	(103,986)	(79,200)	(397,638)	(311,289)
Mineral property expenditures					
Atlanta gold property	(32,314,357)	(1,326,366)	(1,239,009)	(2,962,179)	(2,922,624)
Abitibi gold property	(1,445,378)	-	(25,285)	-	(38,896)
Brodeur diamond property	(12,408,394)	-	122,846	-	(55,750)
Other mineral properties	(15,381,719)	-	-	-	-
	(61,549,848)	(1,326,366)	(1,141,448)	(2,962,179)	(3,017,270)
	(62,691,566)	(1,430,352)	(1,220,648)	(3,359,817)	(3,328,559)
(Decrease) increase in cash and cash equivalents	313,966	(982,450)	(1,331,522)	68,110	(1,487,868)
Cash and cash equivalents, beginning of period	-	1,296,416	1,528,759	245,856	1,685,105
Cash and cash equivalents, end of period	313,966	313,966	197,237	313,966	197,237

These consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements included in the 2007 Annual Report.

ATLANTA GOLD INC.*(a development stage company)***Consolidated statements of shareholders' equity***(Canadian dollars) (unaudited)*

	Shares issued and subscribed		Warrants value \$	Contributed Surplus value \$	Accumulated deficit \$	Total \$
	Number of shares	Ascribed value \$				
Balance, December 31, 2005	12,065,615	59,056,603	3,071,847	898,998	(31,215,615)	31,811,833
Issue shares for demand notes at \$2.70 per common share, net of share issue costs	81,481	182,907	-			182,907
Issue shares for accounts payable at \$1.725 per common share, net of share issue costs	58,000	94,360	-			94,360
Issue shares for cash at \$0.15 per common share, net of share issue costs	111,111	5,844	19,865			25,709
Issue shares for cash at \$0.115 per common share, net of share issue costs	2,574,493	4,112,197	38,216			4,150,413
Share issue costs in respect of CEE renounced in prior years	-	48,176				48,176
Stock-based compensation (note 7)				213,483		213,483
Warrants expiring unexercised			(3,026,283)	3,026,283		
Loss and comprehensive loss for the year					(5,616,034)	(5,616,034)
Balance, December 31, 2006	14,890,700	63,500,087	103,645	4,138,764	(36,831,649)	30,910,847
Issue additional shares after consolidation	11	-				
Issue shares for cash, at \$0.90 per common share, net of share issue costs	3,722,000	3,134,951		-		3,134,951
Issue shares for accounts payable at \$0.39 per common shares, net of share issue costs	153,846	58,500				58,500
Issuance of shares for accounts payable at \$0.39715 per common shares, net of share issue costs	360,000	139,287				139,287
Issue shares for settlement with former officer, at \$0.40 per common share, net of share issue costs	600,000	236,137				236,137
Share issue costs in respect of CEE renounced in prior years	-	(67,933)				(67,933)
Stock-based compensation (note 7)				6,075		6,075
Warrants expiring unexercised			(83,780)	83,780		
Loss and comprehensive loss for the year					(11,718,312)	(11,718,312)
Balance, December 31, 2007	19,726,557	67,001,029	19,865	4,228,619	(48,549,961)	22,699,552
Issue shares for cash at \$0.61 per common share, net of share issue costs (note 6(b))	8,196,456	4,938,356		-		4,938,356
Issue shares for accounts payable at \$0.70 per common shares, net of share issue costs (note 6(b))	310,029	214,261				214,261
Issue shares for accounts payable at \$0.71 per common shares, net of share issue costs (note 6(b))	70,422	45,424				45,424
Issue shares for demand notes at \$0.61 per common share, net of share issue costs	983,606	586,107				586,107
Stock-based compensation (note 7)				592,072		592,072
Warrants expiring unexercised			(19,865)	19,865		
Loss and comprehensive loss for the period					(1,815,494)	(1,815,494)
Balance, September 30, 2008	29,287,070	72,785,177	-	4,840,556	(50,365,455)	27,260,278

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These consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements included in the 2007 Annual Report.

Notes to the Interim Consolidated Financial Statements

(Canadian dollars) (unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

The Atlanta Gold Property, located in Idaho, U.S.A., and which has completed its feasibility study in 2004, is in the development phase awaiting completion of the permitting process and the beginning of mine construction. To date, the Company has not earned significant revenues and is not considered to be in operation.

The recoverability of exploration and development expenditures is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability to obtain necessary financing, obtain government approvals 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.

As at September 30, 2008, the Company has an excess of current liabilities over current assets of \$875,219 and has recorded a third quarter loss of \$499,500. These circumstances raise substantial doubt about its ability to continue as a going concern. Management continues to explore financing alternatives to raise capital. It is not possible to determine with any certainty, the success or adequacy of these initiatives.

The financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements have been prepared by Company's management in accordance with Canadian generally accepted accounting principles ("GAAP"). The consolidated financial statements do not include all the information and disclosure required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair and consistent presentation of these interim financial statements have been included. The accounting policies and their methods of application are consistent with those used in the December 31, 2007 consolidated financial statements, except as disclosed herein. For further information, see the Company's consolidated financial statements and the accompanying notes included in the 2007 Annual Report. Results for the three and nine months ended September 30, 2008 are not necessarily an indication of the results that may be expected for the full fiscal year ending December 31, 2008.

a) Capital disclosures and financial instruments – disclosures and presentation

On December 1, 2006, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments - Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

b) Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these interim financial statements.

c) Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The adoption of these standards had no impact on the Company's financial statements as at September 30, 2008.

3. CAPITAL MANAGEMENT

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The Company manages its capital to ensure that the Company and its subsidiary will be able to continue as a going concern while attempting to maximize the return to shareholders through the optimization of an equity balance commensurate with current operating requirements. The capital structure consists of cash and cash equivalents and shareholders' equity. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.

4. MINERAL PROPERTIES (Canadian dollars) (unaudited)

	Cumulative, since Inception (March 6, 1985) to September 30, 2008	As At September 30 2008	As At December 31 2007
	\$	\$	\$
Torngat Diamond Property			
Balance, beginning of period	-	-	-
Drilling, assays and related field work	3,514,429	-	-
Project administration and general	299,017	-	-
Costs recovered during the year	(203,196)	-	-
Property costs written off	(3,610,250)	-	-
Total expenditures during the period	-	-	-
Balance, end of period	-	-	-
Atlanta Gold Property			
Balance, beginning of period	-	29,386,255	25,421,729
Drilling, analysis, investigations and design	26,069,728	2,637,116	3,640,034
Project administration and general	3,828,417	439,327	218,492
Property acquisition and holding costs	3,338,067	60,000	106,000
Costs recovered during the year	(713,514)	-	-
Total expenditures during the period	32,522,698	3,136,443	3,964,526
Balance, end of period	32,522,698	32,522,698	29,386,255
Brodeur Diamond Property			
Balance, beginning of period	-	-	9,452,101
Drilling, assays and related field work	10,910,156	-	(105,955)
Project administration and general	448,338	-	14,329
Property acquisition and holding costs	1,183,200	-	150,000
Property costs written off	(12,541,694)	-	(9,510,475)
Total expenditures during the period	-	-	(9,452,101)
Balance, end of period	-	-	-
Abitibi Gold Property			
Balance, beginning of period	-	-	1,272,815
Drilling, assays and related field work	2,015,637	-	136,101
Project administration and general	26,506	-	7,962
Property acquisition and holding costs	75,000	-	25,000
Costs recovered during the year	(671,765)	-	-
Property costs written off	(1,445,378)	-	(1,441,878)
Total expenditures during the period	-	-	(1,272,815)
Balance, end of period	-	-	-
	32,522,698	32,522,698	29,386,255

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4. MINERAL PROPERTIES (continued)

a) Atlanta Gold Property ("Atlanta")

The Company holds a 100% interest in patented mining lands and unpatented mining claims, and paid or is expected to pay the following in 2008:

\$50,000 paid in May 2008 to lessor for its surface and mineral rights on the property in respect of some of the patented lands;

\$10,000 paid in May 2008 to a lessor as an annual advance royalty payment in respect of some of the patented lands;

\$63,875 paid in August 2008 to the Idaho Bureau of Land Management in respect of the annual renewal fees on the unpatented mining claims;

\$40,000 in the fourth quarter of 2008 as annual advance royalty payments in respect of some of the patented lands. In addition, accrued interest of 5% per year on \$94,500 associated with these unpatented lands will be repaid in three annual instalments until December 2010.

The Company is also required to pay annually \$58,650 in respect of a ten-year lease for land and water rights use until June 30, 2014.

During the second quarter of 2008, the Company paid \$69,190 in respect of additional claims staked adjacent to Atlanta.

b) Brodeur Diamond Property ("Brodeur")

On December 31, 2007, the Company wrote off the carrying value of Brodeur after three successive years without undertaking any exploration work on it. During the first quarter of 2008, the Company paid Helix Resources Inc. ("Helix") \$150,000 pursuant to the terms of a claims purchase agreement with Helix, as amended in May 2005.

c) Abitibi Gold Property ("Abitibi")

In September 2008, the Company signed a new agreement with Breakwater Resources Ltd. ("Breakwater") and Niogold Mining Corp. ("Niogold") whereby the Company's option to acquire a minimum 60% interest on the Normar and Mouskor claims, was extended to September 1, 2009. Under the terms of the agreement, in October 2008, the Company issued 41,806 common shares to Breakwater, Niogold paid \$25,000 to Breakwater, and Niogold agreed to incur up to \$1.2 million in expenditures. Upon completion of these expenditures, Niogold will acquire a 60% interest in the Malartic claim portion of the property and the Company will acquire a 60% interest on the Normar and Mouskor claims. After making cash payments of \$100,000 and incurring exploration expenditures totalling approximately \$2,339,000 since 2004, the Company wrote off the carrying value of Abitibi in 2006.

5. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2008			December 31, 2007		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
	\$	\$	\$	\$	\$	\$
Office furniture and equipment	155,401	146,446	8,955	146,599	140,508	6,091
Vehicles and field equipment	980,453	314,634	665,819	591,617	186,761	404,856
	<u>1,135,854</u>	<u>461,080</u>	<u>674,774</u>	<u>738,216</u>	<u>327,269</u>	<u>410,947</u>

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6. CAPITAL STOCK, WARRANTS, AND CONTRIBUTED SURPLUS

a) Authorized share capital, warrants and stock options

As at September 30, 2008, the Company had 29,287,070 common shares outstanding, as well as stock options to purchase 2,263,334 additional common shares at prices ranging from \$0.63 to \$5.85. Stock options expire between November 2008 and September 2013. All outstanding share purchase warrants expired in May 2008.

Details of the stock options, and share purchase warrants issued, exercised, forfeited and expired since December 31, 2005 are as follows:

	<u>Share purchase warrants</u>			<u>Stock options</u>	
	<i>No. of shares</i>	<i>Weighted average price \$</i>	<i>Fair market value of warrants \$</i>	<i>No. of shares</i>	<i>Weighted average price \$</i>
Balance, December 31, 2004	47,054,524	0.26	3,182,866	4,350,000	0.46
Securities issued, for cash from private offerings	2,991,512	0.22	34,743	-	-
Securities issued	400,000	0.12	10,821	950,000	0.20
Securities cancelled	-	-	-	(50,000)	0.39
Securities expired	<u>(1,500,000)</u>	0.40	<u>(156,583)</u>	<u>(1,150,000)</u>	0.44
Balance, December 31, 2005	3,263,069	0.25	3,071,847	273,333	6.00
Securities issued, for cash from private offerings	55,556	0.24	17,125	-	-
Securities issued, as agents' fees (<i>note 6(b)</i>)	111,868	0.13	40,956	-	-
Securities issued	-	-	-	216,667	2.40
Securities cancelled	-	-	-	(70,000)	6.75
Securities expired	<u>(3,036,968)</u>	0.24	<u>(3,026,283)</u>	<u>(56,667)</u>	4.35
Balance, December 31, 2006	393,525	0.20	103,645	363,333	4.05
Securities issued	-	-	-	10,000	0.90
Securities cancelled	-	-	-	(120,000)	3.62
Securities expired	<u>(329,080)</u>	0.24	<u>(83,780)</u>	<u>(46,666)</u>	9.16
Balance, December 31, 2007	64,445	3.45	19,865	206,667	2.90
Securities issued	-	-	-	2,100,000	0.63
Securities cancelled	-	-	-	(26,666)	2.89
Securities expired	<u>(64,445)</u>	3.45	<u>(19,865)</u>	<u>(16,666)</u>	6.15
Balance, September 30, 2008	<u>-</u>	-	<u>-</u>	<u>2,263,335</u>	0.77

The weighted-average remaining contractual life of all stock options outstanding is 43 months as follows:

<u>Expiry date</u>	<u>No. of shares</u>	<u>Exercise price \$</u>
November 13, 2008	16,667	5.85
November 24, 2009	13,334	4.28
February 11, 2010	20,000	3.30
June 30, 2010	6,667	2.70
February 13, 2011	13,334	2.85
June 28, 2011	10,000	1.80
September 28, 2011	50,000	1.65

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November 6, 2011	13,333	1.50
December 11, 2011	10,000	1.35
August 10, 2012	10,000	0.90
February 28, 2013	2,050,000	0.63
September 10, 2013	50,000	0.67
	<u>2,263,335</u>	

b) Capital stock offering

In February 2008, the Company issued 8,196,456 common shares by private placement at \$0.61 per share for gross proceeds of approximately \$5.0 million, including 170,000 subscribed for by directors of the Company. In March 2008, the Company issued 380,451 shares in satisfaction of accounts payable of approximately \$267,000 to suppliers of the Company. In April 2008, 983,606 shares were issued to another director after obtaining shareholder approval at the Company's Annual Meeting. Share issue costs were \$68,817 in respect of the \$5.0 million financings completed in February 2008, and \$13,893 in respect of the \$600,000 financings completed in April 2008.

7. STOCK BASED COMPENSATION

The Company issues stock options to employees, officers, directors and consultants to the Company. In February 2008, the Company granted options to purchase 2,050,000 shares at \$0.63 per share exercisable until February 28, 2013, including 525,000 options granted to employees in Atlanta, resulting in a total fair market value of \$729,800 for all stock options granted. 500,000 options granted to directors and 40% of the other 1,550,000 options vested at the date of grant; 30% vest one year from date of grant; and 30% vests two years from the date of grant. During the first six months of 2008, \$298,595 was expensed and \$102,795 was capitalized.

In September 2008, the Company granted 50,000 options to a new employee exercisable at \$0.67 per share until September 2013 and vesting until September 2010 on the same on the same basis as those options granted in February 2008. The fair market value of these options granted is \$17,800.

During the third quarter of 2008, \$116,256 was expensed and \$74,426 was capitalized. The remaining fair market value will be recorded as stock-based compensation as follows:

In 2008, \$37,046 will be expensed and \$27,034 will be capitalized in the last quarter;

In 2009, \$9,011 will be capitalized in each of the four quarters; \$13,684 will be expensed in each of the first three quarters and \$12,349 will be expensed in the fourth quarter;

In 2010, \$668 will be expensed in each of the first three quarters.

The fair value of all stock options granted since 2004 has been estimated at the date of grant using the Black-Scholes option pricing model. The current year's valuation was calculated with the following assumptions: weighted-average risk free interest rate of 3.14%, expected volatility of the market price of the Company's common stock of 64%; and weighted average expected life of the options of 5 years.

8. SEGMENTED INFORMATION

The Company operates in two geographical segments: Canada and United States.

The comparative interest and other income and loss incurred for the three and nine months ended September 30, 2008 and 2007, and the assets identifiable to those segments for the for the interim quarters ended September 30, 2008 and 2007, are as follows:

	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
	<u>Nine months ended September 30, 2008</u>			<u>Three months ended September 30, 2008</u>		
Interest and other income	38,754	-	38,754	2,346	-	2,346
Loss for the period	1,767,162	48,332	1,815,494	451,168	48,332	499,500
Identifiable assets	878,802	32,696,507	33,575,309			
	<u>Balance, December 31, 2007</u>					
Identifiable assets	749,935	29,565,888	30,315,823			

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	Nine months ended September 30, 2007			Three months ended September 30, 2007		
Interest and other income	26,308	-	26,308	5,453	-	5,453
Loss for the period	1,004,885	989,142	1,994,027	347,965	390,519	738,484
Identifiable assets	11,356,097	28,639,062	39,995,159			

9. RELATED PARTY TRANSACTIONS

Included in the current liabilities is \$643,054 due to officers and directors of the Company, consisting of:

\$634,200 in respect of an advance of \$134,200 by a director and a \$500,000 unsecured demand note due to one director of the Company. The note bears interest at 5% per year;
 \$8,854 in respect of fees and expenses due to officers of the Company.

During the third quarter of 2008, the Company incurred \$25,700 in respect of management fees to an officer of the Company. (During the third quarter of 2007, \$80,450 was incurred by officers of the Company). No interest to related parties was incurred during the third quarter of 2008 (During the third quarter of 2007, \$4,538 was paid to two former directors of the Company). In October 2008 220,000 stock options that were previously granted on February 28, 2008 were issued for a cash consideration of \$138,600 of which \$134,200 was received in September 2008

10. COMMITMENTS AND CONTINGENCIES

The Company has commitments at head office and at its subsidiary in Boise, Idaho until January 2010 as follows:

2008	\$	44,105
2009	\$	144,421
2010 - 2013	\$	14,603

11. COMPARATIVE FIGURES

Certain comparative figures may have been reclassified to conform with the presentation adopted in the current period.

Management Discussion and Analysis

This discussion and analysis of financial position and results of operations of Atlanta Gold Inc. (formerly Twin Mining Corporation) (the "Company") and its subsidiaries for the three and nine months ended September 30, 2008 has been prepared as of November 6, 2008. The discussion below should be read in conjunction with the unaudited interim consolidated financial statements of the Company and the notes thereto for the three and nine months ended September 30, 2008 and the audited consolidated financial statements of the Company for the year ended December 31, 2007. The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All amounts in financial tables, except per share amounts, are expressed in thousands of Canadian dollars unless otherwise indicated.

Additional information relating to the Company, including the Company's most recent Annual Information Form, are filed with securities regulatory authorities in Canada and are available on SEDAR at www.sedar.com

Cautionary Statement on Forward Looking Information

This document includes "forward-looking information" and "forward-looking statements" (collectively "forward looking statements"), within the meaning of applicable securities legislation. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are based on assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors which the Company believes to be relevant and reasonable in the circumstances.

Forward-looking statements are frequently identified herein by the use of words such as "may", "will", "could", "believe", "intend", "expect", "seek", "anticipate", "plan", "continue", "estimate", "predict", "potential" and similar terminology suggesting outcomes or statements regarding an outlook. Specifically, this document contains forward-looking statements regarding, among other things: the potential for the discovery of additional gold deposits at the Company's Atlanta property and the potential to raise the overall grade of resources at Atlanta; the potential significance of exploration drill results at Atlanta and the potential significance of underground development at Atlanta; the effect of the Company's mining strategy in reducing the environmental footprint and increasing metal recovery rates at the Atlanta project; the requirement of the Company to obtain additional financings to complete planned work at Atlanta and the Company's ability to raise such financings; the Company's plans to rehabilitate the historic 900 Adit and to proceed with an underground drilling program; the Company's plans to obtain all requisite permits to construct the mine and related facilities at Atlanta and to commence a pilot scale mining and milling operation at Atlanta; the projected gold recovery rate and the anticipated use of cash flow to be generated from production; and the Company's plans for its Abitibi, Brodeur and Torngat properties.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual events and the Company's actual results to differ materially from those predicted, expressed or implied by the forward-looking statements and readers are cautioned not to unduly rely on such forward-looking statements. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health, safety and environmental risks), the risk of resource prices and foreign

exchange rate fluctuations, the Company's limited financial resources and its ability to fund the capital and operating expenses necessary to achieve its business objectives. Further information on the risks and uncertainties is described herein under "Uncertainties and Risk Factors" and in the Company's Annual Information Form under "Risk Factors", a copy of which may be obtained on SEDAR at www.sedar.com.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained herein. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions concerning: general business and economic conditions; the Company's ability to locate potential investors for necessary financings and the timeliness, cost and sufficiency of funds received from such financings; the accuracy of the Company's reserve and resource estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based.

Readers are cautioned that the foregoing list of risks, uncertainties and other factors is not exhaustive. The Company undertakes no obligation to update publicly or revise any forward-looking information and statements or the foregoing list of factors, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Overview

The Company is engaged in the development of an advanced-stage gold property in the United States with a growing resource and favourable economics, and has additional Canadian gold and diamond properties in its portfolio.

The Company's principal asset is the Atlanta gold property in Idaho, U.S.A. ("Atlanta"). The project site is located at the top of Atlanta Hill, which rises approximately 1,900 feet above the town of Atlanta, Idaho, to a maximum elevation of 7,200 feet above mean sea level.

In historic mining operations conducted by previous operators at Atlanta, selective high-grade mining concentrated on extraction of 297,000 ounces of gold and 2.6 million ounces of silver (47,000 equivalent ounces of gold) or 344,000 equivalent (including silver resources as a gold equivalent) ounces of gold from high grade sections at gold prices of US\$20-\$35 per ounce using cut-off grades of 0.5 ounces per short ton ("opt") (17.1 grams per tonne) up to and including 1935 and 0.4 opt (13.7 grams per tonne) thereafter. Consequently, most of the resources along the Atlanta Shear Zone were not mined and remain in situ.

Currently we have exceeded our goal of establishing by December 31, 2008 a 320,000-ounce mini-pit and underground resource base (proposed East Monarch, West Monarch and Idaho mini-pits plus Monarch, Idaho and East Extension underground resources) to substantiate construction of an 800 ton-per-day pilot plant with a minimum 8-year mine life.

Resource Estimate

Following completion of 161,054 feet of reverse circulation (RC) drilling (519 holes) and 43,799 feet of diamond core drilling (84 holes) at Atlanta, a CSA National Instrument 43-101 compliant technical report (the “2007 Technical Report”) was prepared in June 2007. Based on a compilation of geological and geochemical data to June 30, 2007, we have outlined approximately 390,200 Measured and Indicated ounces or 436,500 equivalent ounces (including silver resources as a gold equivalent) as follows:

Area	GOLD				SILVER				Total Equivalent Ounces of Gold (000's)
	Cut-Off Grade (opt)	Gold Grade (opt)	Tons (000's)	Ounces of Gold (000's)	Historical Ratio of Silver to Gold Ounces	Ounces of Silver (000's)	Price Factor ⁽²⁾ Silver Price / Gold Price	Equivalent Ounces of Gold (000's)	
MINI-PIT RESOURCE:									
East and West Monarch ⁽¹⁾	0.05	0.103	510.9	52.6	8.754	460.7	73.7	6.3	58.9
Idaho ⁽¹⁾	0.05	0.060	82.3	4.9	8.754	43.2	73.7	0.6	5.5
TOTAL MINI PIT RESOURCE			593.2	57.5		503.9		6.9	64.4
UNDERGROUND RESOURCE:									
Monarch and Idaho ⁽¹⁾	0.10	0.169	1,367.0	231.0	8.754	2,022.4	73.7	27.4	258.5
East Extension	0.10	0.356	285.5	101.6	8.754	889.7	73.7	12.1	113.7
TOTAL UNDERGROUND RESOURCE			1,652.5	332.6		2,912.1		39.5	372.1
TOTAL RESOURCE		0.174 ⁽³⁾	2,245.7	390.1		3,416.0		46.4	436.5

- (1) Based on a compilation of the same input data used for the 2007 Technical Report which is Canadian National Instrument 43-101 compliant
- (2) Price Factor, using closing prices as of the close of business on November 3, 2008 on New York Globex is 73.70 (US\$722.00 per ounce of gold / US\$9.79 per ounce of silver)
- (3) Average grade of gold per ton = 0.174 ounces per ton (390,200 ounces / 2,245,700 tons)

Note:

The average grade of gold equivalent (including silver resources as a gold equivalent) per ton = 0.194 ounces per ton (436,600 ounces / 2,245,700 tons)

Analytical results and other technical information included in the above resource estimate have been previously announced in a news release on July 23, 2007 and are available on www.sedar.com. Since this estimate does not reflect assay results from 23,000 feet of drilling and 17 trenches completed from June 30, 2007 to date, it will be updated in the fourth quarter of 2008 and the first quarter of 2009 to reflect such results.

Block models were computer-generated using MineSight, a three-dimensional geological modeling and mine planning software. Grade shells were generated at a cut-off of 0.015 opt (0.514 grams per tonne) Au to constrain the 20-foot (6.1-metre) block model for the East Monarch, West Monarch and Idaho resources. The grade shells were then queried for blocks with a minimum grade of 0.10 opt (3.43 grams per tonne) Au to ascertain the total resource using that minimum grade. The total mini-pit resource (number of ounces contained in the three mini pits [East Monarch, West Monarch and Idaho mini-pits]) using a minimum grade of 0.05 opt (1.71 grams per tonne) Au was then deducted to arrive at the Total Underground Resource. The addition of current drill information and conversion to a 10-foot block model is expected to eliminate lower grade material and raise the overall grade of the resource.

Drill holes are positioned along a strike length of 11,400 feet. The longest hole drilled at Atlanta was 1,891 feet down to the 5,089-foot elevation (a vertical depth of 2,111 feet from the top of Atlanta Hill) where drilling was too sparse to include the results in the resource estimate. Whether the gold at this greater depth is part of a commercially-viable ore remains to be demonstrated. However, the majority of the current resources are located between the surface and the 6,400-foot elevation (a vertical depth of 800 feet from the top of Atlanta Hill). The deposit remains open at depth and to both the East and West. The deep levels of the resource make excellent drilling targets for resource expansion, especially by using underground mining methods.

The mini-pits outline a near-surface resource which can be mined using open-pit techniques and a very low strip (waste-to-ore) ratio compared with the life-of-mine strip ratio of 3.39 to 1 contemplated in the previous mining strategy. The underground resource is below the mini-pits down to the 6,400-foot elevation.

In addition, prior work on the 900 Adit (elevation 6,090 feet above sea level) in the East Extension identified the Glaspey underground resource of 285,500 tons at 0.356 opt (12.2 grams per tonne) Au for a total of 101,600 ounces of gold (Measured and Indicated). During 2009, the Company will access this area, and it is expected that drilling and development from this horizon will enhance the overall resource.

Three things in the foregoing resource table should be noted:

- a. The table reflects total Measured and Indicated resources
- b. The resource increases in grade with depth. This trend is gratifying to see, since there are much deeper drill holes which are yet to be reflected in the resource calculation.
- c. Drilling to date has been concentrated only down to the 6,400-foot elevation. There is significant potential to increase the resource base above and also below the 6,400-foot elevation. There has been minimal drilling below this elevation.

During 2008 we have completed over 15,000 feet of drilling, 1,100 feet of trenching and we have significantly enhanced the value of the Atlanta property.

The Company is currently preparing an updated reserve and resource estimate which will include assay results from 23,000 feet of surface drilling (8,000 feet in 2007 and 15,000 feet in 2008) and trenching and sampling programs from June 30, 2007 to date. This updated estimate will be an integral part of a National Instrument 43-101 compliant pre-feasibility study which is expected to be completed by March 31, 2009.

In early 2008, the Company changed the mining strategy for its Atlanta gold project from bulk mining and cyanide heap leaching, to a combined shallow open-pit and underground operation with an on-site milling facility with no cyanide circuit. This new mining strategy will produce both a gravity concentrate and a precious metal rich sulphide concentrate to be custom smelted. It will also reduce the environmental footprint by 95% and increase expected metal recovery rates from 63% to 90%.

The strategy was revisited in late 2007 with the objective of diminishing environmental permitting issues which had previously stalled the project for years. This alternative method of development includes:

- Outlining and mining small open pits on private lands
- Driving underground access tunnels to allow delineation drilling of potentially mineable resources, and sampling and testing of the potential of the Atlanta Shear Zone for profitable mining.
- Building an 800 ton-per-day (tpd) pilot plant to process ore. The optimal throughput of the plant will depend on the size of the resource and the level of future mining activity. To provide flexibility, the milling facility will require a concrete pad large enough to allow for a modular expansion in plant capacity.
- A smaller environmental footprint
- No large-scale heap leach pads using cyanide to recover the gold
- Lower consumption of water

This development method offers significant potential with the following benefits:

- A relatively small upfront capital cost
- An environmentally friendly approach to the project which should make permitting achievable sooner
- A low cost way of testing the potential of the 11,400-foot-long Atlanta Shear Zone to host a major gold inventory

Current Work Plan

The following work is underway to implement our new strategy for a pilot-scale mining and milling operation at Atlanta:

- The 15,000-foot definition drilling program to delineate resources in the East Extension has recently been completed. Assay results are currently pending for 7 NQ drill holes totalling 2,133 feet in length.
- In the third quarter of 2008, the Company attempted to establish two portals, one at the East end and one at the West end of the East Monarch structure. These efforts were thwarted by ground conditions. The highly weathered nature of the surface material is a challenge. Several alternatives are being considered at this time, including the possible rehabilitation of the 2,275-foot long historic 900 Adit. This will provide faster and cheaper access to the underground resource.

- A surface trenching and sampling program across the Atlanta Shear Zone will determine grades for possible shallow open pit mining. Trench samples are being taken to sample the overburden and expose the bedrock. The first phase of the 2008 trenching and sampling program identified significant gold bearing mineralization in nine trenches at its Atlanta gold property in Idaho. Sampling of the walls and bedrock floor of the nine trenches indicated values ranging from 0.001 opt up to 1.476 opt gold. The Company has excavated 13,600 cubic yards of material from 17 trenches (each trench is approximately 75 feet long by 8 feet wide by 12 feet deep) of which 16 trenches have been sampled to date. Additional trenches are planned in the East Extension area in 2008, weather permitting.
- Removing surface overburden to enable detailed sampling of the Atlanta Shear Zone. This overburden will be stockpiled for potential processing.
- Removing material from the surface within the proposed Monarch pit design. This material, which has been determined to be ore grade, will be treated as a surface deposit. The Shear Zone is approximately 100 feet wide by 2,000 feet long and the excavated unconsolidated material is expected to be approximately 22,000 cubic yards. This will be followed in 2009 by a 12,000 foot core drilling program and small-pit benching to examine the shallow surface structure and to access the higher grade portions of the reserves in the proposed Monarch pit design.

Based on work undertaken in 2006 and 2007 on Atlanta, which demonstrated significant potential for improvement in the project's economics, the Company developed a strategic focus on Atlanta. The property has attractive geology, as evidenced by historical mine production, and is considered to have excellent potential for additional discoveries of gold deposits.

Qualified Person

The Company's exploration program at Atlanta is managed and supervised by William (Bill) L. Josey the Company's Chief Geologist and designated "Qualified Person" under Canadian Securities Administrators National Instrument 43-101- Standards for Disclosure for Mineral Deposits. Mr. Josey is a registered professional geologist in the State of Arizona and he has reviewed and approved the technical information in this document.

Highlights from Operations

The 15,000-foot definition drilling program to delineate resources in the East Extension area and to confirm the bottom of the East Monarch area has been completed. Composite assay results greater than 0.10 ounces of gold per ton (3.43 grams per tonne) from 24 drill holes assayed in 2008 are shown in the table below.

Hole Identification	From (Feet)	To (Feet)	Width (Feet)	True Width (Feet)*	Assay (opt Au)	True Width (Meters)*	Assay (gpt Au)
D08005W005	103.0	113.0	10.0	7.5	0.2150	2.3	7.3714
D08175E008	272.0	281.0	9.0	6.7	0.1051	2.0	3.6034
D0811W023	108.0	118.0	10.0	7.5	0.1161	2.3	3.9806
	124.0	183.0	54.0	40.5	0.1969	12.3	6.7509
D08155E024	291.0	295.5	4.5	3.4	0.1480	1.0	5.0743
D0817E025	173.0	193.0	20.0	15.0	0.6500	4.6	22.2857
D0819E028	123.5	154.0	30.5	19.8	0.8440	6.0	28.9371
	239.0	254.0	11.0	7.2	0.2277	2.2	7.8069
	299.0	309.0	10.0	6.5	2.4450	2.0	83.8285
D08185E029	266.0	271.0	5.0	4.0	0.1200	1.2	4.1143
	350.0	351.0	1.0	0.8	0.1330	0.2	4.5600

** True widths are estimates based on current available data and may be subject to change*

The above holes are significant in that they confirm that the veins have continuity down dip and extend a significant distance along the Shear. These results indicate potential for expanding the East Extension Zone. Surface exploration drilling to date has identified several excellent exploration targets and confirmed a mineral resource at Atlanta that is open both along strike and at depth.

Tables showing the 2007 and 2008 surface drilling results as well as additional information on Atlanta are available on the Company's website at <http://www.atgoldinc.com>

Environmental and Permitting Activities

The Company has secured all permits and licenses required to conduct its 2008 exploration and development programs at Atlanta.

During the second quarter of 2008, the Company provided the State of Idaho with a Notice of Exploration for 2008, which involved planned surface exploration activities including surface drilling, trenching, and surface stockpiling of materials. The U.S. Forest Service (the "USFS") has granted a conditional approval to proceed with the Supplemental Plan of Operations for Underground Exploration at the historic 900 Adit (the "Adit"). This permit approval is contingent upon the Company filing a Reclamation Plan and paying a reclamation bond for surface disturbance and water treatment. On October 31, 2008 the USFS authorized the Company to enter and rehabilitate the Adit, remove and transport to an approved landfill or private property, all man-made debris, sediment and material from earthen dams and Adit roof failures, maintain the existing bulkhead, install approximately 750 feet of 8-inch plastic pipe to drain the accumulated water behind the existing bulkhead and treat the collected water. This proposed work is secured by an existing reclamation bond of US\$35,100. Ultimately the existing bond will be incorporated into an overall bond for the water treatment facility.

The National Pollutant Discharge Elimination System (NPDES) permit for the standards of water quality that are allowed to discharge out of the Historic Adits is under review by the U.S. Environmental Protection Agency (“EPA”). A draft NPDES permit setting water quality standards to be met by the Company is expected in early 2009. Recently the EPA has been challenged on acceptable effluent standards for arsenic. Due to this new legal challenge, maximum arsenic levels could be reduced to below drinking water standards of 10 parts per billion (ppb) or micrograms per litre ($\mu\text{g/L}$). The Company is presently testing alternative treatment methods which would comply with the proposed new standards.

To date, the Company has acquired the following permits and plans for the project:

- a Construction General Permit, which is a significant permit required for exploration and earthmoving activities on site
- a Nationwide #32 permit for wetlands impacted by construction of the water capture system outside the historical adits
- storm water permits for both exploration and historic adit activities
- a Plan of Operations for the Pilot Water Treatment Plant for Historic Adits
- a Notice of Exploration to the State for surface exploration activities
- a Temporary Water Right Approval for exploration activities
- a Surface Exploration Plan to the U.S. Forest Service (the “USFS”) for surface drilling, and
- authorization from the USFS to enter and rehabilitate the historical 900 Adit.

These permits allow the Company to conduct the exploration activities necessary to identify new reserves and to continue to operate its Water Treatment Facility at the 900 Adit. As the project moves forward, other permits and plans will be required to meet future construction or mine plan needs. Existing permits are sufficient to allow up to 10 acres of surface disturbance, and thereafter a Reclamation Plan will be required.

The Company continues to pursue historical water rights for the project. On March 25, 2008, the Governor of Idaho signed new legislation into law, which exempts historical mining water rights from forfeiture so long as the non-use of water resulted from reduced mineral production due at least in part to mineral prices and provided that the property has been maintained over the years for potential future mineral production. Due to this new law, the Idaho Water Court has allowed the Company to re-submit its case to the Idaho Department of Water Resources (the “IDWR”) for review and reconsideration. The Company submitted its evidence of applicability to the IDWR who issued a Directors’ Report recommending disallowance of all three water rights. Legal counsel considers this finding to be based on IDWR’s failure to properly consider the extensive evidence submitted and the Company has filed Objections to the Directors’ Report. If the Objections are rejected and subject to the water supply requirements for the Atlanta operation, the Company may have to secure additional water rights from other sources.

The Water Treatment Facility (WTF#1) at the historic 900 Adit continues to capture and treat approximately two million gallons of water per month from the 900 Adit. The Company has expanded the historic adit program by adding three more historic adits to the treatment system. In addition, the Company has removed the residue from two of three ponds during the third quarter, to facilitate effective and efficient treatment of the historic adit drainage. The Company continues to monitor baseline water quality data in the project area.

Option on Breakwater Claims in Quebec

The Company extended its option to acquire a minimum 60% and a maximum 80% interest in the Normar and Mouskor mining claims located in the Abitibi region of Quebec from Breakwater Resources Ltd. ("Breakwater") to September 1, 2009. The Company had in 2003 acquired a five-year option from Breakwater to acquire these claims as well as certain additional claims exercisable by incurring expenditures of \$3.5 million on the properties and making payments to Breakwater totalling \$125,000. To date, the Company has incurred approximately \$2.3 million in expenditures and has paid Breakwater \$100,000. Under the terms of an agreement entered into with Breakwater and Niogold Mining Corp. ("Niogold"), the Company issued 41,806 common shares to Breakwater and Niogold assumed the remaining payment (\$25,000) and expenditure (approximately \$1.2 million) requirement under the terms of the option. Provided Niogold completes the \$1.2 million expenditure obligation, the Company will acquire a 60% interest in the Normar and Mouskor claims and Niogold will acquire a 60% interest in the Malartic claims. The Company and Breakwater will then enter into a joint venture agreement in respect of the Normar and Mouskor claims. Under the terms of the joint venture agreement, if Breakwater's interest in the joint venture is diluted to 10% or less, its joint venture interest will be converted to a 1.5% net smelter return royalty ("NSR"), which may be purchased by the Company for \$750,000.

Following exercise of the option and prior to delivery of a bankable feasibility study, the Company and Niogold may each increase their respective interests in the properties by an additional 10% upon Niogold making a \$100,000 payment to Breakwater. Within 6 months following delivery of a bankable feasibility study on either property, the Company and Niogold may elect to increase their interests in their respective properties by a further 10% by making a further payment to Breakwater totalling \$500,000. Provided that both Niogold and the Company contribute equally to this \$500,000 payment, then the Company will be entitled to a 2% NSR on the Malartic property and Niogold will be entitled to a 2% NSR on the Normar and Mouskor properties. One-half of the respective NSRs may be purchased for \$1 million and the balance may be purchased for an additional \$1 million.

Overview of Financial Results

Equity Financing

In February 2008, the Company raised gross proceeds of approximately \$5 million by completing a non-brokered private placement of 8,196,456 common shares of the Company at \$0.61 per share. Insiders of the Company purchased 1,870,000 shares which represented 22.8% of the shares sold. Share issue costs of \$69,000 in respect of the private placement included \$41,000 paid as a finder's fee to an investment firm which employs a director of the Company.

In March 2008, the Company issued 380,451 shares in satisfaction of accounts payable of approximately \$267,000 to suppliers of the Company.

In April 2008, the Company obtained the requisite approval of its shareholders and completed the issuance of 983,606 common shares to a director of the Company in satisfaction of \$600,000 in demand loans.

In September 2008, the Company borrowed \$500,000 from one director of the Company, and received \$134,200 from another director. The \$500,000 loan is evidenced by an unsecured note bearing interest of 5% per year. The \$134,200 was paid in advance in respect of a subsequent option exercise for a total exercise price of \$138,600, which was completed and the shares issued in October 2008. The remaining loan is intended to be repaid upon completion of the next equity financing. This compares with gross proceeds of \$3.35 million raised during the first nine months of 2007. Share issue costs of \$215,000 in respect of the 2007 private offerings consisted primarily of cash finders' fees of \$181,000, including \$93,000 that was paid to an investment firm of which a director of the Company was then an officer. Since the Company did not raise any equity financing during the current quarter or in the same period in 2007, no share issue costs were incurred in either third quarter.

The Company will use the net cash proceeds received in 2008 for exploration and development of Atlanta and for working capital purposes. The Company will require additional funds early in the fourth quarter of 2008 to finance work on Atlanta for the remainder of the year and for the first quarter of 2009. At that stage, it is anticipated that sufficient work and studies will be completed to enable the Company to secure sufficient project financing to bring Atlanta into production in 2010.

Liquidity and Capital Resources

Cash as at September 30, 2008 was \$314,000 compared to \$246,000 as at December 31, 2007 and \$197,000 as at September 30, 2007. The small increase of \$68,000 during the first nine months of 2008, compared to a relatively similar increase for the comparative period in 2007, is attributable primarily to the \$5.5 million in net equity financing completed in February and April 2008 having been almost fully utilized as at September 30, 2008. This compares to net proceeds of \$3,135,000 completed in May 2007 being almost fully utilized during the same period in 2007.

Cash used in operations for the first nine months of 2008 was \$2,089,000 compared to \$1,294,000 for the comparative period ended September 30, 2007, mainly due to significant payments to suppliers in respect of goods and services provided in prior periods. However, this was more than offset by more cash being generated from financing activities of \$5,517,000 for the first nine months of 2008 compared to \$3,135,000 for the comparative nine-month period ended September 30, 2007. The cash was offset by cash used for capital asset purchases and mining activities for the first nine months of 2008 of \$3,360,000 compared to \$3,329,000 for the comparative period ended September 30, 2007.

Cash from operations for the third quarter of 2008 was \$448,000 compared to cash used in operations of \$111,000 for the comparative quarter in 2007, mainly due to short-term loans from directors and non-cash charges for future tax provision and stock-based compensation.

Due to market conditions, the Company elected not to complete an equity financing during the third quarter of 2008. To meet its capital requirements, two directors advanced a total of \$634,200 to the Company, of which \$500,000 remains outstanding as of the date hereof. The Company intends to complete an equity financing during the fourth quarter. Delays in completing a financing will result in delays to the Company's planned expenditures and delays in the development of Atlanta.

Equity

As at September 30, 2008, the Company had 29,287,070 common shares outstanding, as compared to 19,726,557 common shares outstanding as at December 31, 2007. Shareholders' equity as at September 30, 2008 was \$72,785,000 compared to \$67,001,000 as at December 31, 2007. The Company has no share purchase warrants outstanding, following the expiry in May 2008 of warrants to purchase 64,445 shares.

Also as at September 30 2008, a total of 2,263,335 (December 31, 2007 - 206,667) stock options were outstanding, with a weighted average exercise price of \$0.77 per share (December 31, 2007 - \$2.90 per share) and a weighted average life of 43 months (December 31, 2007 - 34 months).

In September and October 2008, the Company received an aggregate of \$138,600 from a director of the Company on exercise of 220,000 stock options granted to him earlier in the year. The shares were issued during the fourth quarter of 2008. Also in October, the Company issued 41,806 shares to extend the Company's option to acquire an interest in the Normar and Mouskor properties.

General and Administrative Expenses

Corporate overhead expenses were \$1,540,000 for the first nine months of 2008 compared to \$1,023,000 for the same period in 2007, with the increase over 2007 primarily due to higher stock based compensation expense in 2008, and higher salaries and consulting fees in respect of the appointment of an additional officer of the Company. The higher expenses were partially offset by: a) lower professional fees incurred during the first nine months of 2008 compared to the same period in 2007 when several legal claims were settled; and b) higher interest income earned during the first nine months of 2008 compared to the same period in 2007, reflecting higher cash balances held by the Company during the first nine months of 2008.

A \$42,000 loss was realized from foreign exchange transactions during the first nine months of 2008, compared to a gain of \$20,000 incurred during the first nine months in 2007, reflecting a decline in the strength of the Canadian dollar relative to the U.S. dollar. The Company's financings were completed in Canadian dollars and amounts due to Atlanta employees, contractors and suppliers are denominated in U.S. dollars. A provision for future income taxes of \$48,000 was taken during the first nine months of 2008 arising from the accounting treatment differing with the tax treatment for depreciation in 2008, compared to a provision of \$1,017,000 taken during the same period in 2007, when the accounting treatment differed with the tax treatment for depreciation and exploration expenditures incurred in Canadian mineral properties, since written off.

Capital Expenditures***Atlanta gold property, Idaho, U.S.A.:***

Expenditures in the third quarter of 2008 increased by approximately \$87,000 over the comparable period in 2007 to \$1,326,000, and were incurred primarily in respect to: a) surface drilling and trenching, and assessing the underground potential of the Atlanta resource; b) securing water rights for Atlanta; c) monitoring baseline water quality data in the project area and d) continuing to expand the historic adit water treatment program by adding another historic adit to the treatment system. In comparison, expenditures during the third quarter of 2007 of \$1,239,000 was comprised of the following: a) \$230,000 incurred in operating expenses and contractors for the surface exploration program; b) \$244,000 to complete the NI 43-101 compliant technical report, and for a Conceptual Design Study proposing parallel mining (open-pit and underground) and processing (heap-leach and mill) systems for Atlanta; c) \$228,000 for permitting and work on baseline environmental studies; d)

\$36,000 in carrying costs to maintain claims in good standing; and e) \$501,000 incurred in operating and office costs, including \$354,000 for payroll, benefits and training.

Brodeur diamond property, Baffin Island, Canada:

Expenditures in the third quarter of 2008 of \$3,000 (2007 - \$Nil) were expensed to income and reflect fuel supplies and drum deposits utilized in prior periods. During the third quarter of 2008, the Company received \$40,000 from the sale of fuel supplies at Brodeur to a third party. During the same period in 2007, the Company received \$166,000 from the sale of fuel supplies to a third party. The Company has incurred sufficient expenditures to keep its permits in good standing until 2010, and currently holds a total of 51.1 carats of high quality diamonds which were recovered at the Freightrain kimberlite in 2001 and 2002 from 12 samples weighing a total of 248.4 tonnes.

Abitibi gold property, Quebec, Canada:

During the third quarter of 2008, the Company agreed to issue 41,806 common shares to Breakwater to extend the term of the Company's option to acquire an interest in the Normar and Mouskor claims until September 1, 2009. These shares were issued in October 2008. Niogold assumed the remaining expenditure obligations under the option agreement totaling approximately \$1.2 million in consideration for the right to earn a minimum 60% interest in the Malartic group of seventeen (17) claims, previously optioned to the Company. Please also refer to "Highlights from Operations-Option on Breakwater Claims in Quebec". Expenditures incurred during the third quarter of 2008 were only \$2,000 paid principally to renew the Abitibi claims to September 2009. In comparison, during the third quarter of 2007, \$25,000 was incurred by the Company in respect of the annual option payment to Breakwater. The Company has incurred sufficient expenditures to keep its interest in the property in good standing until September 2009.

Rocky Bar gold property, Idaho, U.S.A.:

In the second quarter of 2008, the Company filed location notices on 367 contiguous lode unpatented claims at Rocky Bar which cover approximately 6,880 acres (10.75 square miles). Staking of these additional claims increases the total area of the Company's land holdings in Idaho by 331% to 9,077 acres (14.18 square miles). In the third quarter of 2008, the Company incurred expenditures of \$46,183 on the Rocky Bar property.

These new claims are located 17 miles south west of the Company's Atlanta gold property in Idaho and are regarded as being within Atlanta's field of interest. Located in the heart of the historic Rocky Bar mining district, these strategic claims (the "Property") were acquired by staking to accumulate viable open ground in and around Rocky Bar. The Property has the potential to host significant gold and silver mineralization and it has excellent logistics and infrastructure including access to water and county-maintained roads.

An estimated 250,000 ounces of gold have been produced from both lode and placer sources at Rocky Bar since the 1860s. For competitive purposes, the Company has been staking the Property while continuing to advance its Atlanta gold project toward production.

Tornгат diamond property, Quebec, Canada:

Tornгат has been on a care and maintenance since 2003 and its book value of \$2,692,000 was written off in December 2006. The Company has incurred sufficient expenditures to keep its permit and claims in good standing until 2009, and holds 13.423 carats of high quality diamonds which were recovered in 2000 from 12 samples weighing a total of 343.01 tonnes.

Layuh gold property, Kalimantan, Indonesia:

The Company's Layuh gold property in Kalimantan, Indonesia ("Layuh") had been on care and maintenance since 1999. The Company wrote-off Layuh's carrying value in 2004.

On December 31, 2007, the remaining carrying values of all properties, except Atlanta, were written off, and all expenditures incurred thereafter will be charged in the period incurred.

Contingencies and Commitments

All amounts in this section are expressed in thousands of Canadian dollars, except in respect of Atlanta, which are expressed in thousands of U.S. dollars).

The Company has made the following commitments in Canada and the U.S. in respect of its office space and equipment leases, investor relations services and mineral properties:

	Years 1-2	Years 3-4	Beyond Year 4
Head office	101	10	5
Atlanta ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	308	188	10
Brodeur ⁽⁵⁾	300	300	150

- 1) Pursuant to an amendment to one of the Atlanta lease-purchase option agreements, a final option payment of US\$120,000 which was due in December 2006, will be repaid in four annual installments to December 2010, and include accrued simple interest of 5% per year.
- 2) Pursuant to the Lease / Option to Purchase agreement with Monarch Greenback, LLC ("Monarch"), the Company has an option to purchase Monarch's surface and mineral rights exercisable until April 30, 2009 for US\$2,875,000.
- 3) Pursuant to a ten-year lease agreement with Greene Tree, Inc. ("Greene Tree"), the Company is required to pay annually \$58,650 in respect of a ten-year lease for land and water rights use until June 30, 2014.
- 4) Pursuant to an agreement with Red Sky Public Relations, Inc., the Company is required to make payments of US\$8,000 per month for public relations consulting services for the year ending August 31, 2009.
- 5) Annual payments of \$150,000 are to be made to Helix Resources Inc. until the production of 500,000 carats of diamonds or the termination of the existing claims purchase agreement with Helix. The Company paid \$150,000 to Helix Resources Inc. on February 14, 2008.

Contingencies and commitments are described in Note 10 to the Company's interim unaudited consolidated financial statements for the nine months ended September 30, 2008.

Summary of Quarterly Results

Head office expenses of \$431,000 incurred during the third quarter of 2008 were approximately \$75,000 higher than the \$353,000 incurred during the same period in 2007. Increases in salaries arising from the appointment of an additional officer of the Company in 2008 and from higher stock-based compensation charge in respect of stock options granted in 2008, were partially offset by a decline in professional fees, since no legal claims or financings were undertaken during the quarter, and by the absence of Part XII.6 tax in respect of flow through shares issued in 2005 and 2006. Interest income earned in the third quarter of 2008 was lower compared to the same period in 2007, reflecting lower cash levels as the Company spent the majority of funds obtained from equity financings completed in February and April 2008. The Canadian dollar weakened relative to the U.S. dollar resulting in the Company realizing a foreign exchange loss during the third quarter of 2008, as

compared to a gain realized during the third quarter of 2007, when the Canadian dollar strengthened relative to the U.S. dollar.

The following table discloses certain financial data for the eight most recently completed quarters, expressed in thousands of Canadian dollars (except per share data - basic and fully diluted):

Quarter ended	Total Revenues (5)	General and Administrative Expenses	Net Loss (3)	Loss per share (4)
September 30, 2008	-	431	599 (1)(2)	0.02
June 30, 2008	-	508	547 (1)(2)	0.02
March 31, 2008	-	601	769 (1)(2)	0.03
December 31, 2007	-	303	9,274 (1)	0.56
September 30, 2007	-	353	739 (2)	0.04
June 30, 2007	-	264	541 (2)	0.03
March 31, 2007	-	406	714 (1)	0.04
December 31, 2006	-	276	4,240 (1)	0.31

1. Includes: (a) mineral property costs written off or expensed (recovered) as follows: (\$11) during the third quarter of 2008; \$51 during the second quarter in 2008, \$184 during the first quarter of 2008, \$10,952 during the fourth quarter of 2007, \$4,895 during the fourth quarter of 2006, and (b) future income tax recoveries of \$48 taken during the third quarter of 2008; \$504 taken during the fourth quarter of 2007, and \$931 taken during the fourth quarter of 2006.
2. Includes stock based compensation expense charged as follows: \$116 during the third quarter of 2008; \$81 during the second quarter of 2008; \$217 during first quarter of 2008, \$6 during the fourth quarter of 2007, and \$16 during the fourth quarter of 2006.
3. The Company has not incurred any losses arising from discontinued operations or extraordinary items in the last eight quarters.
4. Loss per share adjusted to reflect share consolidation on the basis of one consolidated share for fifteen pre-consolidation shares, which became effective in March 2007. Loss per share is subject to rounding adjustment.
5. Since the Company is a development-stage company, it does not generate any revenue.

The Company presently operates in two countries, Canada and the United States. The Company has an interest in five mineral properties. Three are gold properties and two are diamond properties. The Company's activities since the start of 2007 have focused on the Atlanta gold property.

The level of the Company's development activities at Atlanta is reduced during the winter months. However, as Atlanta advances toward the production stage and permanent facilities are constructed, the impact of adverse weather conditions is expected to diminish.

The Company assesses, on a regular basis, whether any impairment has occurred in the carrying value of its mineral properties. If such impairment has occurred, a write-down is charged in the period that the impairment took place. After having written off in 2007 the carrying value of its then existing projects other than Atlanta, the Company has determined that no charges had to be taken against Atlanta or Rocky Bar during the third quarter of 2008.

Outlook

Future profitability and operating cash flow of the Company will be affected by various factors, including the availability and costs of financing, the quantity and quality of resources and reserves, production rates and costs, the market prices of minerals, interest rates, the costs of regulatory and environmental compliance, general and administrative costs, the level of exploration and capital

expenditures, and other discretionary costs. While the Company seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control.

Atlanta Gold Property

The Company's objective is to initiate production in 2010 and become a profitable and substantial gold producer at Atlanta. The Company plans to commence a pilot-scale mining and milling operation which will process ore from underground and from shallow open pits in an environmentally-sensitive manner. This pilot operation will test the potential for a much larger underground resource, while generating positive cash flow and the necessary technical and economic data to plan the future operation. The pilot operation will also demonstrate Atlanta's ability to operate in an environmentally responsible manner.

While weather and financial constraints resulting from the global financial crisis will limit the level of work activity on the Atlanta gold project for the remainder of 2008, subject to availability of financing, the Company plans to continue with environmental improvements and community support initiatives in 2008 and 2009 and to achieve the following objectives over the nine months ending June 30, 2009:

Q4 of 2008:

- 2,000-3,000 feet of surface drilling
- Preparation of mini-pits for production in the first half of 2010

Q1 of 2009:

- Updated resource model for the project to reflect recent drill results
- Independent pre-feasibility study
- Rehabilitate the 900 Adit to better monitor and control groundwater and safely conduct future underground exploration activities
- Preliminary metallurgical contracts for treatment of concentrate

Q2 of 2009:

- Drilling plan to identify and add the next 200,000 ounces to resource base by the end of 2009
- Elimination of the remaining environmental hurdles

The 15,000-foot definition drilling program to delineate resources in the East Extension area and to confirm the bottom of the East Monarch has been completed. In 2009, the Company will continue a second phase of 8,250 feet of infill drilling in the East Extension area which is east of the Monarch area. Confirmation holes in the West Monarch and East Idaho Mini Pits will not be drilled until the 2009 drilling season.

The face for a new portal will be established in the second quarter of 2009 at the East end of the Monarch structure on patented property. A 1,200 foot long, 10 by 14 foot underground exploration decline will be driven from the new portal to facilitate sampling of the Atlanta Shear Zone, and assessment of alternate mining methods. The exploration decline will provide access for a 12,000-foot underground definition drilling program, bulk sampling and geotechnical studies. Underground infill drilling from drill stations at 200 foot intervals will commence when the length of the decline exceeds 800 feet. These additional drill intercepts will be part of an updated resource estimate expected to be completed in 2009. Plans are to advance the decline at a -15% slope. A bulk sample will be collected from the Atlanta Shear Zone for metallurgical tests. The decline, crosscuts into mineralization, and underground drilling are designed for detailed definition of the geometry of the Shear Zone, evaluation of grade continuity and assessment of ground stability conditions, all necessary for detailed planning of production stope mining.

In the first quarter of 2009, the Company plans to rehabilitate certain historical production openings, starting with replacement of timber supports and scaling of loose rock from the back and ribs of the 2,275-foot long 900 Adit (the "Adit") to better monitor and control groundwater and provide safe working conditions for an 8,000-foot underground core drilling program in 2009. This will allow the Company to proceed with its 2009 underground drilling program and obtain bulk samples from the former production veins. The Company intends to explore and examine areas accessible through the Adit to determine continuity of ore at that horizon by fan drilling. The Company will begin drilling from underground stations in the Adit to confirm the up-dip and down-dip extent of mineralization. Drilling is expected to commence in the third quarter of 2009.

The Adit was originally driven by previous operators and subsequently rehabilitated and extended in 1994 and 1995 to allow diamond drilling of the underground extension of the ore body. It extends for approximately 2,275 feet and, after rehabilitation, the average cross section will be approximately 10 feet wide by 10 feet high. The Adit is at the deepest accessible level of the existing underground workings and it is the most recently developed level which provides access to a significant mineralized vein system.

The Company will implement an engineered drainage system to maintain a constant flow of mine drainage water which the Company continues to treat through its Water Treatment Facility at the Adit. The water will subsequently be recycled and treated through the gravity-flotation milling operation at a pilot plant with an expected design capacity of 800 tpd.

By the end of 2009, the Company expects to have the permits needed to commence installation of the required infrastructure and construction of a pilot-scale mining and gravity-flotation milling operation to start at the earliest opportunity. The mill will process high grade ore bulk samples taken from underground and medium grade ore mined selectively from shallow pits. The shallow pits will access the higher grade portions of the reserves in the previously proposed Monarch and Idaho open pit designs. The mill is expected to begin processing ore-grade material at 400 tpd and gradually increase to 800 tpd when the optimum metallurgical blend of feed materials and recoveries has been determined. The final throughput rate will be dependent to a significant extent on converting the large shallow and deeper indicated and inferred resource at Atlanta to reserves. The pilot mill will produce both a gravity concentrate and a precious metal rich sulphide concentrate to be custom smelted. Based on historic data and modern laboratory test work, the mill is expected to achieve a gold recovery rate of approximately 90%. This approach to the Atlanta resource will significantly

reduce the environmental footprint of the project, and avoid the use of cyanide associated with the prior heap leaching strategy.

Cash flow from the pilot-scale operation will be used in part to extend underground access and development, further define mineable resources, collect data required for mine design and costing, and develop its plan for future expansion.

Environmental management will be fundamental through every planning step, including remediation of and continued treatment of the water from the Adit.

Abitibi Gold Properties

The Company has extended its option on the Normar and Mouskor claim portion of this property and may conduct limited exploration directly on the property and expects to benefit from the exploration work to be conducted by Niogold pursuant to the agreement entered into by the Company with Niogold and Breakwater in September 2008.

Brodeur and Torngat Diamond Properties

The Company continues to investigate alternatives to unlock the value of the Brodeur and Torngat diamond properties.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

Current liabilities owing as at September 30, 2008, included \$134,200 due to a director of the Company, an unsecured note in the principal amount of \$500,000 due to another director and \$9,000 due to an officer of the Company. Current liabilities as at September 30, 2007 included \$60,000 due to a former director for a demand loan and outstanding expenses of \$21,000 due to an officer and to a director of the Company. The unsecured demand notes bear interest of 5% per annum. Also, salaries and consulting fees of \$155,000 were paid to four officers of the Company. During the third quarter of 2007, consulting fees of \$80,500 were paid to two officers and interest expense of \$4,500 was paid to two former directors of the Company in respect of outstanding demand loans payable by the Company.

Changes to Significant accounting policies

In 2007, the Company adopted four new accounting policies in respect of standards 3855, 3865, 3251, and 1530 issued by the Canadian Institute of Chartered Accountants ("CICA"), and in 2008, there were three more significant accounting policies adopted, in respect of standards 1535, 3031 and 3862 issued by CICA. The adoption of these new standards had no impact on the Company's interim financial statements for the quarter ended September 30, 2008.

Critical accounting estimates

In preparing these interim financial statements, management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Based on historical experience current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ

from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that materially affect the consolidated financial statements and involve a significant level of judgment by management. Management's critical accounting estimates apply to the assessment for the impairment of property, plant and equipment and the valuation of other assets and liabilities such as inventory, plant and equipment, investments, restoration and post-closure costs, accounting for income and mining taxes, mineral reserves, contingencies, stock options and warrants.

From time to time, the Company may be subject to lawsuits or threatened lawsuits. When management believes that the likelihood is that a plaintiff will be awarded damages against the Company or that a monetary settlement will be reached, a provision is made for amounts claimed.

Critical estimates used in preparing the consolidated financial statements were unchanged during the current quarter from those applied in preparing the statements for the year ended December 31, 2007.

Changes to Internal controls over financial reporting

There were no changes in the Company's internal control over financial reporting that occurred during the third quarter of 2008 that have affected or which are reasonably likely to materially affect the Company's internal control over financial reporting.

Share Capital

As at November 6, 2008, the Company had 29,548,876 common shares outstanding and incentive stock options outstanding to purchase 2,043,335 common shares at prices ranging from \$0.63 to \$5.85 per share for terms ending between November 2008 and September 2013.

Uncertainties and Risk Factors

The Company does not currently hold any interest in a mining property in production and its future success depends upon its ability to find, develop, exploit and generate revenue from mineral deposits and to obtain sufficient funding to do so. Exploration and development of mineral deposits involve significant financial risks, which even a combination of careful evaluation, experience and knowledge may not eliminate and there can be no assurance that any of the Company's current projects will ultimately be developed into a profitable mining operation. A number of factors beyond the control of the Company may affect the marketability of any diamonds, gold or any other minerals discovered. Resource prices have fluctuated widely and are beyond the Company's control. Revenue and profitability will be determined by the relationship of the Company's production costs and in respect of diamonds, the relative quality of the diamonds extracted and in respect of gold, the recovered grade of gold, to resource prices. The effect of these factors cannot accurately be predicted. The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties with the possible dilution or loss of such interests. The operations of the Company require licenses and permits from various governmental authorities and, while the Company currently holds all necessary licenses and permits required to carry on its activities and believes it is complying with such licenses, permits and all applicable laws and regulations, such licenses, permits and laws are subject to change and there can be no assurance that the Company will in future be able to obtain all necessary licenses and

permits. Furthermore, the cost of complying with changes in governmental laws and regulations has the potential to reduce the profitability of future operations. The acquisition of title to mineral projects is a very detailed and time-consuming process and although the Company has taken precautions to ensure that legal title and interest to its properties are properly recorded, there can be no assurance that the interests of the Company in any of its properties may not be challenged or impugned. In management's view, there has been no material change in the nature or magnitude of any of the risks faced by the Company during the third quarter of 2008.

November 6, 2008