



# Copy of financial statements and reports

If there is insufficient space in any section of the form, you may photocopy the relevant page(s) and submit as part of this lodgement

<b>Company/scheme details</b>	Company/scheme name ATLANTIC GOLD NL
	ACN/ARBN/ARSN/PIN/ABN 82 062 091 909

<b>Lodgement details</b>	<b>Who should ASIC contact if there is a query about this form?</b>
	Firm/organisation ATLANTIC GOLD NL
	Contact name/position description JULIE FIDLER, COMPANY SECRETARY
	ASIC registered agent number (if applicable) 
	Telephone number 02 9929 6633
	Postal address or DX address SUITE 701, 220 PACIFIC HIGHWAY CROWS NEST NSW 2065

## 1 Reason for lodgement of statement and reports

Tick appropriate box

- A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
- A registered scheme (B)
- Amendment of financial statements or directors' report (company) (C)
- Amendment of financial statements or directors' report (registered scheme) (D)
- A large proprietary company that is not a disclosing entity (H)
- A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
- A small proprietary company that is requested by ASIC to prepare and lodge statements and reports (J)
- A prescribed interest undertaking that is a disclosing entity (K)

Dates on which financial year begins and ends

Financial year begins		Financial year ends
0 1 / 0 1 / 0 7	to	3 1 / 1 2 / 0 7
[D] [D] / [M] [M] / [Y] [Y]		[D] [D] / [M] [M] / [Y] [Y]

## 2 Details of large proprietary company

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

A What is the consolidated revenue of the large proprietary company and the entities that it controls?

B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

C How many employees are employed by the large proprietary company and the entities that it controls?

D How many members does the large proprietary company have?

## 3 Auditor's report

Were the financial statements audited?

Yes

No

If no, is there a class order exemption current for audit relief?

Yes

No

If yes, does the auditor's report (s308) for the financial year contain a statement of:

Reasons for the auditor not being satisfied as to the matters referred to in s307?

Yes

No

Details of the deficiency, failure or shortcoming concerning any matter referred to in s307?

Yes

No

## 4 Details of current auditor or auditors

Registered schemes must advise ASIC of the appointment of an auditor on a Form 5137 *Appointment of scheme auditor* within 14 days of the appointment of the auditor.

Auditor registration number (*for individual auditor or authorised audit company*)

R2862638

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

KPMG

## 4 Continued... Details of current auditor or auditors

Office, unit, level	
THE KPMG CENTRE	
Street number and Street name	
10 SHELLEY STREET	
Suburb/City	State/Territory
SYDNEY	NSW
Postcode	Country (if not Australia)
2000	
Date of appointment	
1	5
[D]	[D]
/	/
1	2
[M]	[M]
/	/
9	3
[Y]	[Y]

Auditor registration number *(for individual auditor or authorised audit company)*

Family name

Given name

or

Company name

ACN/ABN

or

Firm name (if applicable)

Office, unit, level	
Street number and Street name	
Suburb/City	State/Territory
Postcode	Country (if not Australia)

A company may have two appointed auditors, provided that both auditors were appointed on the same date. Otherwise, an appointed auditor must resign, be removed or otherwise ceased before a subsequent appointment may be made.

## 5 Statements and reports to be attached to this form

Financial statements for the year (as per s295(2) and accounting standards)

*Income statement for the year*

*Balance sheet as at the end of the year*

*Statement of cash flows for the year*

*Statement of changes in equity or statement of recognised income and expense for the year*

*If required by accounting standards - the consolidated income statement, balance sheet, statement of cash flows and statement of changes in equity/statement of recognised income and expense*

Notes to financial statements (as per s295(3))

*Disclosures required by the regulations*

*Notes required by the accounting standards*

*Any other information necessary to give a true and fair view (see s297)*

The directors' declaration about the statements and notes (as per s295(4))

The directors' report for the year, including the auditor's independence declaration (as per s298 to s300A)

Auditor's report required under s308 and s314

Concise report (if any) (s314)

## Signature

See Guide for details of signatory.

I certify that the attached documents marked ( **A** ) are a true copy of the annual reports required under s319.

Name

JULIE FIDLER

Signature

Capacity

Director

Company secretary

Date signed

/   /    
[D D] [M M] [Y Y]

## Lodgement

Send completed and signed forms to:  
Australian Securities and Investments Commission,  
PO Box 4000, Gippsland Mail Centre VIC 3841.

### For help or more information

Telephone 1300 300 630  
Email [info.enquiries@asic.gov.au](mailto:info.enquiries@asic.gov.au)  
Web [www.asic.gov.au](http://www.asic.gov.au)

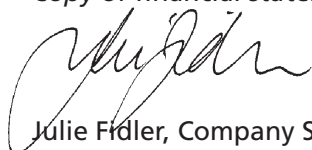


## **Consolidated Financial Statements 31 December 2007**

### **Contents**

Directors' report	1
Lead Auditor's Independence Declaration	6
Income Statements	7
Balance Sheets	8
Statements of Changes in Equity	9
Statements of Cashflows	10
Notes to the Financial Statements	11
Directors' Declaration	27
Independent Auditor's Report	28

This is the annexure marked A of 29 pages referred to in form 388  
*Copy of financial statements and reports*



Julie Fidler, Company Secretary, 27 March 2008

# Directors' report

The Directors present their report together with the financial report of Atlantic Gold NL (the Company) and the Group, being the Company and its subsidiaries, for the financial year ended 31 December 2007, and the Auditor's Report thereon.

## Directors

The names of Directors in office at any time during or since the end of the financial year are shown below. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.



### Mr Ronald J Hawkes

BSc, FAusIMM, FGAC  
Non-executive chairman

#### *Qualifications and experience*

Board member since 18 January 1999  
Mr Hawkes has 43 years' experience in the mining industry and was formerly the Managing Director of Plutonic Resources Limited.  
He is a member of the Audit Committee and the Remuneration Committee.



### Mr Wally R Bucknell

BSc (Hons), FAusIMM, FGAC, MSEG  
Executive director

#### *Qualifications and experience*

Board member since 18 January 1999  
Mr Bucknell has 39 years' experience in the mining industry and was formerly the General Manager – Exploration of Plutonic Resources Limited.  
He is a member of the Audit Committee and the Remuneration Committee.



### Mr Robert H N Symons

BA LLB (Hons)  
Non-executive director

#### *Qualifications and experience*

Board member since 31 December 2005  
Mr Symons is general counsel and practice director and a former senior partner of the law firm Deacons. He has extensive experience in many aspects of corporate and commercial legal practice with particular expertise in resources, energy and infrastructure.  
He is a member of the Audit Committee and the Remuneration Committee.

## Company Secretaries

### Grahame Clegg JP BCom CA

Mr Clegg was appointed to the position of company secretary on 18 January 1999 and has over 35 years' experience in audit, financial and corporate roles including 15 years in company secretarial roles for ASX-listed companies. He is a director of Oakhill Hamilton Pty Ltd and Taen Pty Ltd, companies which provide secretarial, accounting and corporate advisory services to a range of listed and unlisted companies.

### Julie Fidler

Ms Fidler was appointed to the position of company secretary on 10 December 2003. She assisted with company secretarial functions in the Company for 3 years prior to being appointed Company Secretary.

There are no officers of the Company during the financial year who were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Company.

# Directors' report

## Directors' meetings held

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

<b>Directors meetings held</b>		<b>4</b>
Directors meetings attended:	R J Hawkes	4
	W R Bucknell	4
	R H N Symons	4

All matters relating to Audit and Remuneration Committees were discussed at main board meetings and as a result no separate Audit and Remuneration Committee meetings were held.

## Principal activities

The principal activities of the Consolidated Entity during the financial year were precious minerals exploration, primarily for gold. There were no changes in the nature of the Consolidated Entity's principal activities during the financial year.

## Operating results

The consolidated loss of the Consolidated Entity after income tax amounted to \$1,552,286 (2006 loss \$273,870).

## Dividends paid or recommended

No dividends have been paid or declared during the year. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2007.

## State of affairs

The Company made the following issue of shares during the year to provide additional working capital:

- Issue of 15,633,077 ordinary shares at 12 cents per share pursuant to the exercise of ATVO options expiring 1 November 2007, raising \$1,875,969.
- Issue of 32,412,149 ordinary shares at 13 cents per share pursuant to placements raising \$4,213,579.
- Issue of 60,000 ordinary shares at 15 cents per share on exercise of unlisted options raising \$9,000.

A call of 2 cents on partly paid shares (20 cent ordinary shares currently partly paid to 9 cents) raised \$607,692.

## Share performance and shareholder wealth

The Company's share price at the beginning of the period was 11 cents and 17 cents at the end of the period. During the period the share price ranged from a low of 10 cents to a high of 23.5 cents. There was no return of capital to shareholders.

## Non-audit services

During the year KPMG provided taxation services to the Consolidated Entity amounting to \$9,146 (2006: \$11,258). The Directors are satisfied that provision of taxation services does not compromise audit independence.

## Events subsequent to balance date

On 1 February 2008 the Company's wholly-owned subsidiary, DDV Gold, received environmental approval from the Nova Scotia Minister of Environment for its Touquoy Gold Project in Nova Scotia, Canada. Other than the environmental approval, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

The Company has withdrawn from the Caribou Joint Venture in Nova Scotia, Canada. The carrying value of Caribou as at 31 December 2007 was Nil.

## Likely developments

The Consolidated Entity will continue to focus on the further advancement of the Touquoy Gold Project and gold exploration.

## Environmental regulation

The Consolidated Entity's operations are subject to significant environmental regulation under the laws of both Australia and Canada. The Directors are not aware of any breaches of the legislation during the financial year which are material in nature.

## Remuneration report

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting and retaining appropriately qualified and experienced directors and executives.

No part of the remuneration of Directors or senior executives is performance related with the exception of 2.8 million options issued to Mr Peter Carter which are progressively vested on achieving milestones in respect of the successful development of the Touquoy Gold Project.

	SHORT TERM			POST EMPLOYMENT	EQUITY		TOTAL AUD
	SALARY AUD	DIRECTORS' FEES AUD	CONSULTING FEES AUD	SUPERANNUATION AUD	VALUE OF SHARE OPTIONS AUD	% OF TOTAL REMUNERATION %	
<b>2007</b>							
<b>Directors</b>							
R J Hawkes	–	60,000	–	5,400	7,046	9.7	72,446
W R Bucknell	200,000	–	–	18,000	14,092	6.1	232,092
R H N Symons	–	15,000	–	17,700	1,409	4.1	34,109
<b>Executives</b>							
<b>Australia</b>							
B H Bolton (resigned 31 Mar 07)	49,846	–	–	3,600	7,046	11.6	60,492
P W Killen (appointed 1 Apr 07)	–	–	77,252	–	–	–	77,252
	CAD	CAD	CAD	CAD	CAD	%	CAD
<b>Canada</b>							
P Carter	200,000	–	–	1,990	31,384	13.4	233,374
	AUD	AUD	AUD	AUD	AUD	%	AUD
<b>2006</b>							
<b>Directors</b>							
R J Hawkes	–	60,000	–	5,400	6,295	8.8	71,695
W R Bucknell	192,000	–	–	17,280	12,589	5.7	221,869
R H N Symons	–	22,500	–	10,200	1,259	3.7	33,959
<b>Executives</b>							
<b>Australia</b>							
B H Bolton	147,000	–	–	13,230	6,295	3.8	166,525
<b>Canada</b>							
P Carter (appointed 15 Oct 06)	46,667	–	–	2,969	8,480	14.6	58,116

# Directors' report

## Options provided as remuneration

Details of options over ordinary shares in the Company provided as remuneration to directors and specified executives of the Company are set out below. When exercisable, each option is convertible into one ordinary share of Atlantic Gold NL.

Options issued under the Company's Employee Share Option Plan on 23 August 2006 have progressive vesting: 20% of the grant is vested on issue, with 30% vested one year later and the balance of 50% vested after 2 years. Unless exercised the options expire 4 years from date of issue. The options can't be transferred and will not be listed on the Australian Securities Exchange (ASX). The assessed fair value of the 15 cent options is 1.59 cents except for Mr Carter where the assessed fair value is 1.74 cents. The amount included in the above table for 'Value of Share Options' is the unamortised value of options vesting during the period plus a pro rata value of unvested options.

The amounts below disclosed for remuneration purposes relating to options is the assessed fair value at issue date. Fair value is determined using a binominal option pricing model which takes into account the share price (10.6 cents) and expected volatility of the underlying share (40%), the exercise price (15 cents) and term of the option (4 years), the risk free interest rate (6%) and expected dividends, adjusted to reflect the prohibition on sale or transfer of options and vesting conditions.

## Options granted as remuneration

	EXERCISE PRICE \$	ISSUE DATE	EXPIRY DATE	NO. OF OPTIONS OUTSTANDING AT 31 DEC 2007	NO. OF OPTIONS VESTED AT 31 DEC 2007
<b>Directors</b>					
R J Hawkes	0.20	21 Nov 2004	31 Dec 2008	1,000,000	1,000,000
	0.15	23 Aug 2006	22 Aug 2010	1,000,000	500,000
W R Bucknell	0.20	21 Nov 2004	31 Dec 2008	1,000,000	1,000,000
	0.15	23 Aug 2006	22 Aug 2010	2,000,000	1,000,000
R H N Symons	0.15	23 Aug 2006	22 Aug 2010	100,000	— <sup>1</sup>
Note 1: Mr Symons has exercised all 15 cent options vested to date (100,000).					
<b>Executives</b>					
B H Bolton	0.15	23 Aug 2006	22 Aug 2010	200,000 <sup>2</sup>	200,000
P Carter	0.15	15 Oct 2006	14 Oct 2010	3,000,000	200,000

Note 2: All 15 cent options not already vested to Mr Bolton were forfeited upon his resignation on 31 March 2007.

Unless otherwise noted, none of the above options has been exercised or forfeited since issue date.

## Options acquired as part of an issue to all shareholders

	EXERCISE PRICE \$	ISSUE DATE	EXPIRY DATE	OPTIONS EXERCISED	NO. OF OPTIONS OUTSTANDING AT 31 DEC 2007
<b>Directors</b>					
R J Hawkes	0.12	31 Oct 2006	1 Nov 2007	2,412,961	—
W R Bucknell	0.12	31 Oct 2006	1 Nov 2007	532,916	—
<b>Executives</b>					
B H Bolton	0.12	31 Oct 2006	1 Nov 2007	308,448	—
P W Killen	0.12	31 Oct 2006	1 Nov 2007	2,351	—

## Ordinary shares held by directors and executives

	BALANCE AT 1 JAN 2007	GRANTED AS COMPENSATION	EXERCISE OF OPTIONS	PURCHASE OF SHARES	BALANCE AT 31 DEC 2007
<b>Fully paid ordinary shares</b>					
<b>Directors</b>					
R J Hawkes	22,117,095	–	2,412,961	–	24,530,056
W R Bucknell	4,966,240	–	532,916	–	5,499,156
R H N Symons	40,000	–	60,000	–	100,000
<b>Executives</b>					
P W Killen	20,000	–	2,351	230,769	253,120
P Carter	–	–	–	–	–
<b>Partly paid ordinary shares</b>					
<b>Directors</b>					
R J Hawkes	5,750,000	–	–	–	5,750,000
W R Bucknell	1,036,860	–	–	–	1,036,860
R H N Symons	–	–	–	–	–
<b>Executives</b>					
P W Killen	10,000	–	–	–	10,000
P Carter	–	–	–	–	–

## Directors' interests

The relevant interest of each Director in the share capital of the companies within the Consolidated Entity as notified by the Directors to the Australian Stock Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	FULLY PAID SHARES	PARTLY PAID SHARES	OPTIONS
Mr R J Hawkes	24,530,056	5,750,000	2,000,000
Mr W R Bucknell	5,499,156	1,036,860	3,000,000
Mr R H N Symons	100,000	–	100,000

## Indemnification and Insurance of Officers

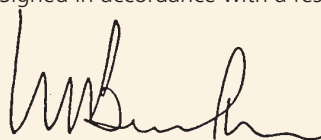
The Company has entered into an agreement to indemnify the following current Directors of the Company, Mr Ronald J Hawkes, Mr Walter R Bucknell and Mr Robert H N Symons, and the Company Secretaries, Mr Grahame Clegg and Ms Julie Fidler against any liability, including costs and expenses incurred in defending such actions, incurred by that person that may arise from their position as Directors or officers of the Company and its Controlled Entities, except where the liability arises out of conduct involving a lack of good faith.

During the year to 31 December 2007 the Company has paid insurance premiums in respect of the Directors and officers liability and legal expenses insurance contracts for current Directors and officers of the Company and its Controlled Entities. The insurance policy prohibits disclosure of the amount of the premium and of the nature of the liabilities covered.

## Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the year ended 31 December 2007.

Signed in accordance with a resolution of the Board of Directors.



W R Bucknell, Director  
Sydney, 27 March 2008

# Lead auditor's independence declaration

## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Atlantic Gold NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2007 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Anthony Jones  
Partner

Sydney  
27 March 2008

# Income statements

For the year ended 31 December 2007

	NOTE	CONSOLIDATED		THE COMPANY	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue		–	–	416,740	374,876
Gain on sale of assets		–	558,254	–	–
Foreign exchange gain		–	–	404,285	(377,248)
Net financial income and expense	3	(268,801)	49,813	(270,425)	48,301
Exploration expenditure written off	2	(689,893)	(242,832)	–	–
Impairment of loan to Controlled Entity	2	–	–	(1,164,826)	137,828
General and administrative expenses	2	(593,592)	(639,105)	(905,223)	(923,054)
<b>Loss before tax</b>		<b>(1,552,286)</b>	<b>(273,870)</b>	<b>(1,519,449)</b>	<b>(739,297)</b>
Income tax expense relating to ordinary activities	4	–	–	–	–
<b>Loss for the year</b>		<b>(1,552,286)</b>	<b>(273,870)</b>	<b>(1,519,449)</b>	<b>(739,297)</b>
Basic and diluted earnings per share (cents per share)	7	(0.78)	(0.15)		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 11 to 26.

# Balance sheets

As at 31 December 2007

	NOTE	CONSOLIDATED		THE COMPANY	
		2007 \$	2006 \$	2007 \$	2006 \$
<b>Current assets</b>					
Cash and cash equivalents	8	3,497,289	2,412,795	3,395,518	2,212,220
Trade and other receivables	9	336,639	151,145	15,464	3,799
Other	10	170,539	222,754	169,179	221,483
<b>Total current assets</b>		<b>4,004,467</b>	<b>2,786,694</b>	<b>3,580,161</b>	<b>2,437,502</b>
<b>Non-current assets</b>					
Receivables	11	–	–	10,975,435	7,549,950
Other financial assets	12	126,720	584,100	103	103
Property, plant and equipment	13	188,603	138,812	–	–
Exploration and evaluation expenditure	14	10,426,155	6,831,577	–	–
<b>Total non-current assets</b>		<b>10,741,478</b>	<b>7,554,489</b>	<b>10,975,538</b>	<b>7,550,053</b>
<b>Total assets</b>		<b>14,745,945</b>	<b>10,341,183</b>	<b>14,555,699</b>	<b>9,987,555</b>
<b>Current liabilities</b>					
Trade and other payables	15	234,443	404,605	61,619	50,977
Loan and borrowings	16	1,114,927	1,984,008	1,114,927	1,984,008
Employee benefits	17	50,322	38,100	32,900	38,100
<b>Total current liabilities</b>		<b>1,399,692</b>	<b>2,426,713</b>	<b>1,209,446</b>	<b>2,073,085</b>
<b>Non-current liabilities</b>					
Employee benefits	18	27,400	29,400	27,400	29,400
Deferred tax liability	4	–	–	–	–
<b>Total non-current liabilities</b>		<b>27,400</b>	<b>29,400</b>	<b>27,400</b>	<b>29,400</b>
<b>Total liabilities</b>		<b>1,427,092</b>	<b>2,456,113</b>	<b>1,236,846</b>	<b>2,102,485</b>
<b>NET ASSETS</b>		<b>13,318,853</b>	<b>7,885,070</b>	<b>13,318,853</b>	<b>7,885,070</b>
<b>Equity</b>					
Issued capital	19	31,150,872	24,509,545	31,150,872	24,509,545
Reserves	21	126,574	(218,168)	355,421	43,516
Accumulated losses	22	(17,958,593)	(16,406,307)	(18,187,440)	(16,667,991)
<b>TOTAL EQUITY</b>		<b>13,318,853</b>	<b>7,885,070</b>	<b>13,318,853</b>	<b>7,885,070</b>

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 11 to 26.

# Statements of changes in equity

For the year ended 31 December 2007

	CONSOLIDATED		THE COMPANY	
	2007 \$	2006 \$	2007 \$	2006 \$
Total equity at the beginning of the year	7,885,070	5,644,978	7,885,070	5,644,978
Foreign exchange translation differences recognised directly in equity	350,217	(342,027)	–	–
Investment adjustments recognised directly in equity	(317,380)	(123,400)	–	–
Loss for the year	(1,552,286)	(273,870)	(1,519,449)	(739,297)
Total recognised income and expense for the year	(1,519,449)	(739,297)	(1,519,449)	(739,297)
<b>Transactions with equity holders in their capacity as equity holders:</b>				
Contributions of equity, net of transaction costs	6,641,327	2,935,873	6,641,327	2,935,873
Directors', employees' and other non-listed option costs	311,905	43,516	311,905	43,516
	6,953,232	2,979,389	6,953,232	2,979,389
Total equity at the end of the year	13,318,853	7,885,070	13,318,853	7,885,070
Attributable to equity holders of the parent	13,318,853	7,885,070	13,318,853	7,885,070

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 11 to 26.

# Statements of cash flows

For the year ended 31 December 2007

	NOTE	CONSOLIDATED		THE COMPANY	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Payments to suppliers and employees		(580,046)	(577,843)	(417,260)	(468,151)
Interest received		91,149	58,562	89,524	57,035
Financial expenses		(141,881)	(8,451)	(141,879)	(8,436)
Net cash used in operating activities	30(b)	(630,778)	(527,732)	(469,615)	(419,552)
<b>Cash flows from investing activities</b>					
Purchase of plant and equipment		(50,780)	(49,274)	–	–
Payments for exploration and evaluation expenditure		(4,190,896)	(2,770,115)	–	–
Loan to Controlled Entity		–	–	(4,186,027)	(2,664,257)
Net cash used in investing activities		(4,241,676)	(2,819,390)	(4,186,027)	(2,664,257)
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		6,004,016	2,986,345	6,004,016	2,986,345
Share issue costs		(64,914)	(50,472)	(64,914)	(50,472)
Proceeds from borrowings		1,000,000	2,000,000	1,000,000	2,000,000
Repayment of borrowings		(1,005,921)	–	(1,005,921)	–
Prepayment of interest		(94,241)	(206,154)	(94,241)	(206,154)
Proceeds from sale of assets		111,328	359,566	–	–
Net cash provided by financing activities		5,950,268	5,089,285	5,838,940	4,729,719
<b>Net increase (decrease) in cash held</b>					
Cash and cash equivalents at 1 January 2007		2,412,795	675,501	2,212,220	566,310
Foreign exchange gain on opening cash held in foreign currency		6,680	(4,869)	–	–
<b>Cash and cash equivalents at 31 December 2007</b>	30(a)	<b>3,497,289</b>	<b>2,412,795</b>	<b>3,395,518</b>	<b>2,212,220</b>

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 11 to 26.

# Notes to the financial statements

For the year ended 31 December 2007

## **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

Atlantic Gold NL ('Company') is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 31 December 2007 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity') and the Consolidated Entity's interest in associates and jointly controlled entities.

### **a. Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001. International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the Australian Accounting Standards Board, being Australian equivalents to IFRS ("AIFRS"). The financial reports of the Consolidated Entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board (IASB).

### **b. Basis of preparation**

The financial report is prepared on the historical cost basis and is presented in Australian dollars.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Note 1.

The accounting policies have been applied consistently by consolidated entities.

### **c. Basis of consolidation**

#### ***Controlled Entities***

The financial statements of Controlled Entities are included from the date control commences until the date control ceases. Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

#### ***Joint ventures***

A joint venture is either an entity or operation that is jointly controlled by the Consolidated Entity.

#### ***Jointly controlled entities***

In the consolidated financial statements, investments in joint venture entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The Consolidated Entity's share of the joint venture entity's net profit or loss is recognised in the consolidated income statement from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly on consolidated reserves.

#### ***Jointly controlled operations and assets***

The Consolidated Entity's interest in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs and its share of income it earns from the sale of goods or services by the joint venture.

#### ***Transactions eliminated on consolidation***

Unrealised gains and losses and intragroup balances resulting from transactions with or between Controlled Entities are eliminated in full on consolidation. Unrealised gains resulting from transactions with jointly controlled entities are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to jointly controlled entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

# Notes to the financial statements

For the year ended 31 December 2007

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued:

### d. Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits.

Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### e. Depreciation

Depreciation is charged to the income statement. All assets have limited useful lives and are depreciated using the straight line method over their useful lives. Depreciation methods and useful lives, as well as residual values, are reassessed annually. Assets are depreciated from the date of acquisition.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
Plant and equipment	20–40%
Leasehold improvements	10%

### f. Derivative financial instruments

The Consolidated Entity does not use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes.

### g. Earnings per share

#### *Basic Earnings per share*

Basic earnings per share is calculated by dividing net profit/(loss) after income tax attributable to members of the company, excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares outstanding during the financial year.

The partly paid shares are classified as 'ordinary shares' for the purpose of calculating earnings per share.

#### *Diluted Earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### h. Employee benefits

#### *Wages, salaries, annual leave and sick leave*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the year end, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on current remuneration and salary rates that the Consolidated Entity expects to pay as at the reporting date including related on-costs.

### *Superannuation*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement as incurred.

### *Long-term service benefits*

The Consolidated Entity's net obligation in respect of long-term service benefits, other than benefit plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Consolidated Entity's obligation.

### *i. Exploration and evaluation expenditure*

Pre-licence costs are recognised in the income statement as incurred.

Exploration, evaluation and development expenditure, including the costs of acquiring licences, are capitalised on a project by project basis. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Exploration, evaluation and development assets are assessed for impairment if facts and circumstances suggest that carrying amount exceeds the recoverable amount (refer Note 1).

#### **j. Foreign Currency Translation Transactions**

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At reporting date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current on that date. Resulting exchange differences are recognised in determining the profit and loss for the year.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

#### **Hedging**

The Consolidated Entity has not entered into any specific, general or speculative hedging arrangements.

#### **Foreign controlled entities**

As the foreign controlled entities are integrated, their assets and liabilities are translated into Australian currency at rates of exchange current at reporting date, while its revenues and expenses are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are recognised directly in equity.

#### **k. Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority.

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

#### **l. Impairment**

The carrying amounts of the Consolidated Entity's assets, other than deferred tax assets (refer Note 1m), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (refer Note 1(i)).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

#### **(i) Calculation of recoverable amount**

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### **(ii) Reversals of impairment**

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# Notes to the financial statements

For the year ended 31 December 2007

## NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued:

### m. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. No temporary differences are recognised on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Tax consolidation

The Company is the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly owned subsidiaries. The implementation date of the tax consolidations system for the tax-consolidated group was 1 July 2003.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using a separate taxpayer within group approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

### n. Investments

#### Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

### o. Leased assets

Lease payments made under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are recognised in the income statement on a straight line basis over the term of the lease.

### p. Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (refer Note 1f).

Interest income is recognised in the income statement as it accrues, using the effective interest method.

### q. Trade and other payables

Trade and other payables are stated at cost.

### r. Property, plant and equipment

All assets acquired including property, plant and equipment and intangibles other than goodwill are stated at cost or deemed cost of acquisition at the date of acquisition less accumulated depreciation (refer Note 1e) and any impairment losses (refer Note 1l).

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

#### **s. Provisions**

A provision is recognised in the balance sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **t. Other income**

The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

#### **u. Segment reporting**

A segment is a distinguishable component of the Consolidated Entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The business segments reported are precious mineral exploration in Australia and Canada.

#### **v. Trade and other receivables**

Trade and other receivables are stated at their cost less impairment losses (refer Note 1).

#### **w. Share capital**

##### **Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### **x. New standards and interpretations not yet adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the periods of initial application. They are available for early adoption at 31 December 2007, but have not yet been applied in preparing the financial report.

Early adoption of AASB 8 *Operating Statements* would have no effect on the financial statements.

The Group has not yet determined the potential effect of the revised AASB 101 *Presentation of Financial Statements* on the Group's disclosures.

Early adoption of Revised AASB 123 *Borrowings Costs* would have an effect on the financial statements as part of the financial expenses during the period would be capitalised.

# Notes to the financial statements

For the year ended 31 December 2007

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>NOTE 2: LOSS BEFORE TAX</b>				
<b>Loss from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:</b>				
Impairment of loan to Controlled Entity	–	–	1,164,826	(137,828)
Exploration expenditure written off	689,893	242,832	–	–
Consulting fees	–	–	(416,740)	(374,876)
Profit of disposal of exploration property	–	(558,254)	–	–
<b>General and administrative expenses</b>				
Administrative costs	186,327	140,102	150,720	93,395
Amounts set aside to/(written back from) provision for employee benefits	9,493	34,678	(7,200)	34,678
Corporate costs	81,064	53,002	81,064	53,002
Depreciation and amortisation expense	9,308	9,587	–	–
Employee and Director benefits expense	193,875	293,726	639,098	673,877
Net loss on disposal of investments	28,672	–	–	–
Occupancy expense	35,878	35,878	–	–
Other expenses from ordinary activities	48,975	72,132	41,541	68,102
	593,592	639,105	905,223	923,054
<b>NOTE 3: FINANCIAL INCOME AND EXPENSES</b>				
Interest income	93,146	58,562	91,520	57,035
Financial expenses	(361,947)	(8,749)	(361,945)	(8,734)
Net financial income and expenses	(268,801)	49,813	(270,425)	48,301
<b>NOTE 4: INCOME TAX EXPENSE</b>				
<b>Numerical reconciliation between tax benefit and pre-tax net loss</b>				
Loss before tax	(1,552,286)	(273,870)	(1,519,449)	(739,297)
Total income tax benefit calculated at 30%	(465,686)	(82,161)	(455,834)	(221,789)
Increase in income tax expense due to:				
Impairment of loan to Controlled Entity	–	–	349,448	(41,348)
Other non-allowable items	19,226	14,925	18,822	13,272
	(446,460)	(67,236)	(87,565)	(249,865)
Deferred tax asset not brought to account	446,460	67,236	87,565	249,865
Income tax expense on pre-tax loss	–	–	–	–
<b>Recognised tax assets and liabilities</b>				
Deferred tax assets and liabilities are attributable to the following:				
Exploration and evaluation expenditure	932,580	2,049,473	–	–
Provisions	(23,316)	(20,250)	–	–
Other	(40,402)	(6,058)	–	–
Tax loss carry-forwards	(868,862)	(2,023,165)	–	–
Net deferred tax liability	–	–	–	–

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Deferred tax asset not taken to account</b>				
Tax losses carried forward:				
Tax losses	4,305,841	4,789,820	5,156,360	1,328,405
Deductible temporary differences	–	–	58,492	26,308
	4,305,841	4,789,820	5,214,852	1,354,713

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits therefrom.

#### NOTE 5: AUDITORS' REMUNERATION

Audit services – KPMG	37,415	34,000	37,415	34,000
Taxation services – KPMG	9,146	11,258	–	2,000
	46,561	45,258	37,415	36,000

#### NOTE 6: KEY MANAGEMENT PERSONNEL DISCLOSURES

##### *Remuneration of specified directors and specified executives by the Consolidated Entity*

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting and retaining appropriately qualified and experienced executives.

The emolument of each Director and Executive Officer are detailed in the Remuneration Report contained in the Directors' Report.

#### NOTE 7: EARNINGS/(LOSS) PER SHARE

##### *Classification of securities as ordinary shares*

Ordinary fully paid shares and partly paid shares have been included in basic and dilutive ordinary earnings per share.

##### *Basic and diluted earnings per share*

Net loss attributable to ordinary shareholders (basic)	(1,552,286)	(273,870)		
	NO.	NO.		
<b>Weighted average number of shares</b>				
Issued ordinary shares at 1 January	192,003,012	168,287,621		
Effect of shares issued in first quarter	(39,607)	257,124		
Effect of shares issued in second quarter	6,214	4,327,210		
Effect of shares issued in third quarter	16,001	7,877,927		
Effect of shares issued in fourth quarter	6,129,454	6,150		
	198,115,074	180,756,032		
Basic and dilutive ordinary earnings per share	(0.78 cents)	(0.15 cents)		

#### NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank	110,564	221,897	61,057	113,016
Bank short term deposits	3,386,725	2,190,898	3,334,461	2,099,204
	3,497,289	2,412,795	3,395,518	2,212,220

#### NOTE 9: TRADE AND OTHER RECEIVABLES

Receivables from joint venture partners	48,615	–	–	–
Other receivables	226,665	119,407	15,464	3,799
Security deposits	61,359	31,738	–	–
	336,639	151,145	15,464	3,799

# Notes to the financial statements

For the year ended 31 December 2007

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>NOTE 10: OTHER CURRENT ASSETS</b>				
Prepayments – Insurance	18,270	16,600	16,910	15,329
Prepayments – Interest	152,269	206,154	152,269	206,154
	170,539	222,754	169,179	221,483
<b>NOTE 11: NON-CURRENT RECEIVABLES</b>				
Loans to Controlled Entity	–	–	17,016,308	12,425,997
Provision for diminution	–	–	(6,040,873)	(4,876,047)
	–	–	10,975,435	7,549,950
<b>NOTE 12: OTHER FINANCIAL ASSETS</b>				
Investment in listed entity at fair value	126,720	584,100	–	–
Investments in Controlled Entities:				
Unlisted shares at cost	–	–	1,577,105	1,577,105
Provision for diminution	–	–	(1,577,002)	(1,577,002)
	126,720	584,100	103	103
<b>NOTE 13: PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Property</b>				
At cost	169,293	114,587	–	–
<b>Plant and equipment</b>				
At cost	80,974	76,456	–	–
Accumulated depreciation	(62,585)	(53,830)	–	–
	18,389	22,626	–	–
<b>Leasehold improvements</b>				
At cost	6,784	6,784	–	–
Accumulated amortisation	(5,863)	(5,185)	–	–
Total leasehold improvements	921	1,599	–	–
Total property, plant and equipment	188,603	138,812	–	–
<b>Reconciliations</b>				
Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:				
<b>Property</b>				
Carrying amount at beginning of year	114,587	74,067	–	–
Foreign exchange variance	7,945	(5,641)	–	–
Additions	46,761	46,161	–	–
Carrying amount at end of year	169,293	114,587	–	–
<b>Plant and equipment</b>				
Carrying amount at beginning of year	22,626	28,768	–	–
Foreign exchange variance	733	(348)	–	–
Additions	4,019	3,114	–	–
Disposals	(359)	–	–	–
Depreciation	(8,630)	(8,908)	–	–
Carrying amount at end of year	18,389	22,626	–	–
<b>Leasehold improvements</b>				
Carrying amount at beginning of year	1,599	2,278	–	–
Amortisation	(678)	(679)	–	–
Carrying amount at end of year	921	1,599	–	–

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>NOTE 14: EXPLORATION AND EVALUATION EXPENDITURE</b>				
Costs carried forward in respect of areas of interest in:				
Exploration	3,632,492	3,361,703	–	–
Evaluation Touquoy Gold Project	6,793,663	3,469,874	–	–
	10,426,155	6,831,577	–	–
<b>Reconciliations</b>				
Carrying amount at the beginning of year	6,831,577	4,956,308	–	–
Foreign exchange variation	233,157	(330,056)	–	–
Expenditure incurred during current year	4,051,314	2,957,098	–	–
Disposals	–	(508,941)	–	–
Less write offs	(689,893)	(242,832)	–	–
Carrying amount at the end of year	10,426,155	6,831,577	–	–
<b>NOTE 15: TRADE AND OTHER PAYABLES</b>				
Trade payables	201,018	362,771	28,195	9,143
Other payables	33,425	41,834	33,424	41,834
	234,443	404,605	61,619	50,977
<b>NOTE 16: LOANS AND BORROWINGS</b>				
Unsecured loan	1,291,854	2,000,000	1,291,854	2,000,000
Unamortised option costs	(176,927)	(15,992)	(176,927)	(15,992)
	1,114,927	1,984,008	1,114,927	1,984,008
<p>The unsecured loan is repayable on the earlier of future capital raisings by the Company or 27 December 2008. Any loan amount outstanding as at 27 December 2007 can be settled at the Company's election either in cash or by issue of Company's shares. Under the original \$2 million loan agreement entered into December 2006, the lender was granted 5 million options each exercisable into one fully paid share of the Company at a strike price of 15 cents expiring on repayment of the loan. During the financial year, as consideration for providing an additional \$1 million loan facility (fully drawdown June 2007 and fully repaid November 2007 ) and for re-negotiating the terms of the original \$2 million loan agreement, the lender was provided with an additional 2.5 million options at an exercise price of \$0.15 per fully paid share such that the lender now has in effect the right to subscribe for 7.5 million fully paid shares at an exercise price of 15 cents per share up until 27 December 2009. An amount of \$702,000 was repaid on the original \$2 million loan facility by the issue of 5.4 million shares.</p>				
<b>NOTE 17: EMPLOYEE BENEFITS – CURRENT</b>				
Employee benefits	50,322	38,100	32,900	38,100
<b>NOTE 18: EMPLOYEE BENEFITS – NON-CURRENT</b>				
Employee benefits	27,400	29,400	27,400	29,400

# Notes to the financial statements

For the year ended 31 December 2007

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>NOTE 19: CONTRIBUTED EQUITY</b>				
209,781,896 (2006: 161,716,670) fully paid ordinary shares	28,419,045	22,385,411	28,419,045	22,385,411
30,286,342 (2006: 30,286,342) partly paid ordinary shares	2,731,827	2,124,134	2,731,827	2,124,134
	31,150,872	24,509,545	31,150,872	24,509,545
<b>Movements in ordinary share capital</b>				
Balance at beginning of year	24,509,545	21,573,672	24,509,545	21,573,672
<b>Shares issued:</b>				
– 23,615,931 shares at 10 cents per share on exercise of options	–	2,361,593	–	2,361,593
– 10,000 fully paid ordinary shares on payment of unpaid capital of 13 cents per share on partly paid shares	–	1,300	–	1,300
– 15,633,077 (2006: 19,460) shares at 12 cents per share on exercise of options	1,875,969	2,335	1,875,969	2,335
– 60,000 (2006: 40,000) shares at 15 cents per share on exercise of options	9,000	6,000	9,000	6,000
– call of 2 cents per share in respect of 30,246,042 (2006: 30,066,592) partly paid shares at 20 cents per share now partly paid to 9 cents (2006: 7 cents) per share	604,911	601,332	604,911	601,332
– proceeds of auction of 40,300 (2006: 229,750) forfeited partly paid shares	2,781	13,785	2,781	13,785
– 32,412,149 shares at 13 cents per share pursuant to placements	4,213,579	–	4,213,579	–
<b>Less:</b>				
– costs of placements	(53,704)	–	(53,704)	–
– costs relating to share issues	–	(45,363)	–	(45,363)
– costs of exercise of options	(7,187)	–	(7,187)	–
– costs of call on partly paid shares	(4,022)	–	(4,022)	–
– refund proceeds of auction of forfeited partly paid shares	–	(5,109)	–	(5,109)
	31,150,872	24,509,545	31,150,872	24,509,545

Holders of ordinary shares are entitled to receive dividends as declared from time to time irrespective of the amounts paid or credited as paid on the shares. Holders of fully paid ordinary shares are entitled on a show of hands to one vote for each fully paid share held. Holders of partly paid ordinary shares are entitled on a show of hands to one vote, and on a poll to such number of votes as results from applying the ratio of the amount of the issue price of shares paid to the total issue price, to the number of those partly paid shares held.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

## NOTE 20: OPTIONS

EXPIRY DATE	EXERCISE PRICE	OUTSTANDING AT 31 DEC 2006	ISSUED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	OUTSTANDING AT 31 DEC 2007
<b>Listed</b>						
1 November 2007	\$0.12	16,454,837	–	(15,633,077)	(821,760)	–
<b>Unlisted</b>						
31 December 2008	\$0.20	2,200,000	–	–	–	2,200,000
22 August 2010	\$0.15	5,410,000	–	(60,000)	(800,000)	4,550,000
14 October 2010	\$0.15	3,000,000	–	–	–	3,000,000
27 December 2008	\$0.15	–	7,500,000	–	–	7,500,000
		27,064,837	7,500,000	(15,693,077)	(1,621,760)	17,250,000

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>NOTE 21: RESERVES</b>				
<b>Foreign currency translation reserve</b>				
Balance at beginning of the year	(138,284)	203,743	–	–
Current year foreign exchange translation differences	350,217	(342,027)	–	–
Balance at end of the year	211,933	(138,284)	–	–
<b>Fair value reserve (investments in listed entities)</b>				
Balance at beginning of the year	(123,400)	–	–	–
Current year adjustments to value of investments	(317,380)	(123,400)	–	–
Balance at end of the year	(440,780)	(123,400)	–	–
<b>Options reserve</b>				
Balance at beginning of the year	43,516	–	43,516	–
Directors' and employees' option costs	62,740	43,516	62,740	43,516
CRX Limited option costs	249,165	–	249,165	–
Balance at end of the year	355,421	43,516	355,421	43,516
Total reserves	126,574	(218,168)	355,421	43,516

#### NOTE 22: ACCUMULATED LOSSES

Accumulated losses at beginning of the year	16,406,307	16,132,437	16,667,991	15,928,694
Net loss	1,552,286	273,870	1,519,449	739,297
Accumulated losses at end of the year	17,958,593	16,406,307	18,187,440	16,667,991

#### NOTE 23: COMMITMENTS

##### Operating Lease Commitments

The Consolidated Entity leases property and equipment. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are re-negotiated.

Future operating lease commitments not provided for in the financial statements and payable:

within 1 year	2,480	2,480	–	–
later than 1 year but not later than 5 years	–	–	–	–
	2,480	2,480	–	–

##### Exploration Tenement Commitments

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay in the year ending 31 December 2008 an amount of approximately \$25,925 (2007 \$65,865) in respect of exploration expenditure.

#### NOTE 24: CONTINGENT LIABILITIES

##### Native title

The value of the mining tenements is dependent on the discovery of commercially viable reserves and the successful development or alternatively sale, of the respective tenements. The Consolidated Entity's exploration properties may at some future time be subject to claims under native title or contain sacred sites or sites of significance to aboriginal people. In the event of any such claim being made and the National Native Title Tribunal or other relevant authority ratifying such claim, the Consolidated Entity's exploration properties or areas within the tenements may be subject to exploration and/or mining restrictions or compensation.

# Notes to the financial statements

For the year ended 31 December 2007

## NOTE 25: SEGMENT INFORMATION

During the year the Consolidated Entity operated predominantly in one business segment being precious mineral exploration in two geographical segments being Australia and Canada.

	AUSTRALIA		CANADA		ELIMINATIONS		CONSOLIDATED	
	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$
Segment Revenue	–	–	–	–	–	–	–	–
Segment Result	(190,302)	457,318	(499,591)	(141,897)			(689,893)	315,421
Unallocated expenses							(593,592)	(639,104)
Financial income							93,146	58,562
Financial expenses							(361,947)	(8,749)
Net financing income							(268,801)	49,813
Loss before tax							(1,552,286)	(273,870)
Income Tax							–	–
Net Loss							(1,552,286)	(273,870)
Depreciation	6,224	6,675	3,084	2,912	–	–	9,308	9,587
Exploration expenditure written off	136,560	80,515	553,333	162,317	–	–	689,893	242,832
Segment Assets	15,616,451	10,483,898	6,802,027	4,227,536	(7,672,534)	(4,370,251)	14,745,944	10,341,183
Segment Liabilities	1,257,058	2,170,206	7,842,568	4,656,158	(7,672,534)	(4,370,251)	1,427,092	2,456,113
Cash flows from operating activities	(510,649)	(482,144)	(120,129)	(45,588)	–	–	(630,778)	(527,732)
Cash flows from investing activities	(4,301,829)	(2,057,030)	(4,241,676)	(2,819,390)	4,301,829	2,057,030	(4,241,676)	(2,819,390)
Cash flows from financing activities	5,950,268	5,089,285	4,301,829	2,057,030	(4,301,829)	(2,057,030)	5,950,268	5,089,285
Capital expenditure	2,277	–	48,503	49,274	–	–	50,780	49,274

## NOTE 26: CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED	
		2007	2006
		%	%
<b>Particulars in relation to Controlled Entities</b>			
Parent Entity			
Atlantic Gold NL	Australia		
Controlled Entities			
Atlantic Gold Exploration Pty Ltd	Australia	100	100
DDV Gold Limited	Canada	100	100

## NOTE 27: INTEREST IN JOINT VENTURE OPERATIONS

As at 31 December 2007 Controlled Entities had interests in the following exploration joint ventures :

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	%	%	%	%
Kookynie Development Area	50	50	–	–
Touquoy – Moose River	60	60	–	–
	(earning up to	(earning up to		
	75%)	75%)		
Caribou	50 <sup>1</sup>	50	–	–

Note 1: The Company has withdrawn from the Caribou Joint Venture since 31 December 2007. The carrying value of Caribou as at 31 December 2007 was Nil.

Included in the assets and liabilities of the Consolidated Entity are the following items which represent the Consolidated Entity's interest in the assets and liabilities employed in the joint ventures:

	\$	\$	\$	\$
<b>Non-Current Assets</b>				
Exploration and evaluation expenditure	9,598,712	6,161,491	–	–

## NOTE 28: RELATED PARTIES

### Directors

The names of each person holding the position of Director of Atlantic Gold NL during the financial year are:

Ronald J Hawkes  
Walter R Bucknell  
Robert H N Symons

Robert H N Symons is an employee of Deacons. During the financial year Deacons provided legal services to the Consolidated Entity on normal commercial terms.

Details of Directors' remuneration are set out in Note 6.

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

# Notes to the financial statements

For the year ended 31 December 2007

## Directors' and Executive Officer's holdings of shares and share options

The aggregate interests of Directors and the Executive Officer of the reporting entity and their Director-related entities in shares and share options of entities within the Consolidated Entity at year end are set out below.

	HELD AT 1 JAN 2007	ACQUISITIONS	DISPOSAL/ EXERCISE	HELD AT 31 DEC 2007
<b>Fully paid ordinary shares</b>				
Directors				
R J Hawkes	22,117,095	2,412,961	–	24,530,056
W R Bucknell	4,966,240	532,916	–	5,499,156
R H N Symons	40,000	60,000	–	100,000
Executives				
P W Killen	20,000	233,120	–	253,120
P Carter	–	–	–	–
<b>Partly paid ordinary shares</b>				
Directors				
R J Hawkes	5,750,000	–	–	5,750,000
W R Bucknell	1,036,860	–	–	1,036,860
R H N Symons	–	–	–	–
Executives				
P W Killen	10,000	–	–	10,000
P Carter	–	–	–	–
<b>Options</b>				
Directors				
R J Hawkes	4,412,961	–	(2,412,961)	2,000,000
W R Bucknell	3,532,916	–	(532,916)	3,000,000
R H N Symons	160,000	–	(60,000)	100,000
Executives				
P W Killen	2,351	–	(2,351)	–
P Carter	3,000,000	–	–	3,000,000

## Non-Director related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	COMPANY	
	2007	2006
	\$	\$
<b>Controlled Entities</b>		
The Parent Company provided management and related services to Controlled Entities	416,740	374,876
Balance of loans to Controlled Entities outstanding at year end	10,975,435	7,549,950
Impairment of loans during the year	1,164,826	(137,828)

All loans to Controlled Entities are unsecured and repayable on demand. The Company does not expect to call the loans within the next 12 months and classified these receivables as non-current.

CONSOLIDATED		THE COMPANY	
2007	2006	2007	2006
\$	\$	\$	\$

## NOTE 29: EVENTS SUBSEQUENT TO REPORTING DATE

On 1 February 2008 the Company's wholly-owned subsidiary, DDV Gold, received environmental approval from the Nova Scotia Minister of Environment for its Touquoy Gold Project in Nova Scotia, Canada. Other than the environmental approval, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

The Company has withdrawn from the Caribou Joint Venture in Nova Scotia, Canada. The carrying value of Caribou as at 31 December 2007 was Nil.

## NOTE 30: NOTES TO THE STATEMENTS OF CASH FLOWS

### (a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the balance sheets as follows:

Cash at bank	110,564	221,897	61,057	113,016
Bank short term deposits	3,386,725	2,190,898	3,334,461	2,099,204
	3,497,289	2,412,795	3,395,518	2,212,220

### (b) Reconciliation of loss after income tax to net cash used in operating activities

Loss from ordinary activities after income tax	(1,552,286)	(273,870)	(1,519,449)	(739,297)
<b>Add/(less) non-cash items:</b>				
Variance on exchange rate	53,884	–	–	–
Amortisation	678	679	–	–
Depreciation	8,764	8,908	–	–
Amounts set aside to provisions	10,222	34,678	(7,200)	34,678
Write-off of exploration expenditure	689,893	242,832	–	–
Impairment of loan to Controlled Entity	–	–	1,164,826	(137,828)
Amortisation of transaction costs	71,940	–	71,940	–
Value of director and employee options granted	62,740	43,516	62,740	43,516
Loss on sale of non-current assets	28,672	–	–	–
Gain on sale of non-current assets	–	(558,254)	–	–
Unrealised foreign exchange	–	–	(404,285)	377,248

### Changes in assets and liabilities, net of the effects of purchase and disposal of Controlled Entities during the financial year:

(Increase)/decrease in receivables	(131,163)	(30,865)	(11,664)	(2,398)
(Increase)/decrease in prepayments	146,456	(281)	146,545	(293)
Increase/(decrease) in payables	(20,578)	4,925	26,932	4,822
Net cash used in operating activities	(630,778)	(527,732)	(469,615)	(419,552)

# Notes to the financial statements

For the year ended 31 December 2007

## NOTE 31: FINANCIAL INSTRUMENTS RISK EXPOSURES

### (a) Interest rate risk

The economic entity is exposed to the following interest rate risk on its financial assets and liabilities as summarised below:

	CONSOLIDATED			THE COMPANY		
	NON INTEREST BEARING	INTEREST BEARING	TOTAL CARRYING AMOUNT	NON INTEREST BEARING	INTEREST BEARING	TOTAL CARRYING AMOUNT
		\$	\$	\$	\$	\$
<b>2007</b>						
<b>Financial assets</b>						
Cash	110,564	3,386,725	3,497,289	61,058	3,334,460	3,395,518
Receivables	336,639	–	336,639	15,464	–	15,464
	447,203	3,386,725	3,833,928	76,522	3,334,460	3,410,982
Weighted average interest rate	–	5.96%	–	–	5.96%	–
<b>Financial liabilities</b>						
Accounts payable	234,443	–	234,443	61,619	–	61,619
Unsecured loan	–	1,114,927	1,114,927	–	1,114,927	1,114,927
	234,443	1,114,927	1,349,370	61,619	1,114,927	1,176,546
Weighted average interest rate	–	11.0%	–	–	11.0%	–
Net financial assets	212,760	2,271,798	2,484,558	14,903	2,219,533	2,234,436
<b>2006</b>						
<b>Financial assets</b>						
Cash	221,897	2,190,898	2,412,795	113,016	2,099,204	2,212,220
Receivables	151,145	–	151,145	3,799	–	3,799
	373,042	2,190,898	2,563,940	116,815	2,099,204	2,216,019
Weighted average interest rate	–	5.65%	–	–	5.65%	–
<b>Financial liabilities</b>						
Accounts payable	404,605	–	404,605	50,977	–	50,977
Unsecured loan	–	1,984,008	1,984,008	–	1,984,008	1,984,008
	404,605	1,984,008	2,388,613	50,977	1,984,008	2,034,985
Weighted average interest rate	–	9.0%	–	–	9.0%	–
Net financial assets	(31,563)	206,890	175,327	65,838	115,196	181,034

### (b) Credit risk

The maximum credit risk exposure of financial assets is represented by the carrying amounts of assets recognised in the balance sheet net of any allowance for diminution in value.

### (c) Fair values of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their fair value.

### (d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Group's approach to capital management during the the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### (e) Foreign exchange risk

	CONSOLIDATED		THE COMPANY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Current assets not effectively hedged:				
Cash – Canadian dollars	99,316	96,259	–	–
Current liabilities not effectively hedged:				
Accounts payable – Canadian dollars	152,613	285,907	–	–

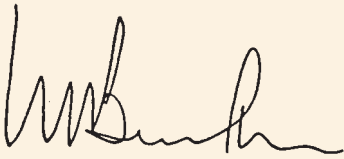
# Directors' declaration

In the opinion of the Directors of Atlantic Gold NL (the Company):

- 1 the financial statements and Notes and the remuneration disclosures that are contained in the Remuneration report in the Directors' report are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 31 December 2007 and of their performance for the year ended on that date; and
  - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- 2 the financial report also complies with International Financial Reporting Standards as disclosed in Note 1;
- 3 the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; and
- 4 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the chief executive officer and the chief financial officer for the financial year ended 31 December 2007.

Signed in accordance with a resolution of the Directors.



Walter R Bucknell  
Director

Sydney, 27 March 2008

# Independent auditor's report to the members of Atlantic Gold NL

## **Report on the financial report and AASB 124 remuneration disclosures contained in the directors' report**

We have audited the accompanying financial report of Atlantic Gold NL (the Company), which comprises the balance sheets as at 31 December 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory Notes 1 to 31 and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading 'Remuneration report' in the Directors' report and not in the financial report. We have audited these remuneration disclosures.

## **Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' report**

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are also responsible for the remuneration disclosures contained in the directors' report.

## **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, 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 financial report and the remuneration disclosures contained in the directors' report 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 the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

### **Auditor's opinion on the financial report**

In our opinion:

- 1 The financial report of Atlantic Gold NL is in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2007 and of their performance for the financial year ended on that date; and
  - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2 the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### **Auditor's opinion on AASB 124 remuneration disclosures contained in the Directors' report**

In our opinion the remuneration disclosures that are contained in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.



KPMG



Anthony Jones, Partner

Sydney, 27 March 2008