

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

Company/scheme details

Company/scheme name

ATLANTIC GOLD NL

ACN/ARBN/ARSN/PIN/ABN

82 062 091 909

Lodgement details

Who should ASIC contact if there is a query about this form?

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

- | | | |
|-------------------------------------|---|-----|
| <input checked="" type="checkbox"/> | A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking | (A) |
| <input type="checkbox"/> | A registered scheme | (B) |
| <input type="checkbox"/> | Amendment of financial statements or directors' report (company) | (C) |
| <input type="checkbox"/> | Amendment of financial statements or directors' report (registered scheme) | (D) |
| <input type="checkbox"/> | A large proprietary company that is not a disclosing entity | (H) |
| <input type="checkbox"/> | 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) |
| <input type="checkbox"/> | A small proprietary company that is requested by ASIC to prepare and lodge statements and reports | (J) |
| <input type="checkbox"/> | A prescribed interest undertaking that is a disclosing entity | (K) |

Dates on which financial year begins and ends

Financial year begins

0	1	0	1	0	8
[D]	[D]	[M]	[M]	[Y]	[Y]

to

Financial year ends

3	1	1	2	0	8
[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
/	/
1	2
/	/
9	3
[D D]	[M M] [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

<signed>

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

Web www.asic.gov.au

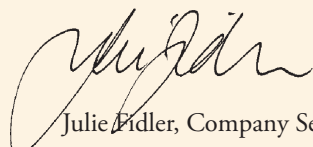


Consolidated Financial Statements 31 December 2008

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This is the annexure marked A of 33 pages referred to in
form 388 *Copy of financial statements and reports*



Julie Fidler, Company Secretary, 19 March 2009

Directors' report

The Directors present their report together with the financial report of Atlantic Gold NL (the Company) and the Consolidated Entity, being the Company and its subsidiaries, for the financial year ended 31 December 2008, 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. All Directors have been in office since the start of the financial year to the date of this report.



Mr Ronald J Hawkes

BSc, FAusIMM, FGAC
Non-executive chairman

Qualifications and experience

Board member since 18 January 1999
Mr Hawkes has 44 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 40 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 16 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' 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:

Directors' meetings held		10
Directors' meetings attended:	R J Hawkes	10
	W R Bucknell	10
	R H N Symons	10

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 \$2,611,311 (2007 loss \$1,552,286).

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 2008.

State of affairs

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

- Issue of 5,773,442 ordinary shares at 12 cents per share pursuant to a rights issue raising \$692,805.
- Issue of 77,152 ordinary shares at 12 cents per share pursuant to placements raising \$9,258.
- Issue of 21,852 ordinary shares at 18 cents per share pursuant to the exercise of ATVO options expiring 30 October 2009, raising \$3,933.
- Issue of 12,735,043 shares at 5 cents per share in partial repayment of loan to CRX Investments Pty Ltd raising \$640,457.

Share performance and shareholder wealth

The Company's share price at the beginning of the period was 17 cents and 6 cents at the end of the period. During the period the share price ranged from a low of 5 cents to a high of 22 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 \$3,110 (2007: \$9,146). The Directors are satisfied that provision of taxation services does not compromise audit independence.

Events subsequent to balance date

On 3 March 2009 the Company issued 6.8 million fully paid ordinary shares at 5 cents per share raising \$340,000. Other than this share issue, no other matter has 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.

Likely developments

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

Directors' report

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 options which were issued to Mr Peter Carter and vested on achieving milestones in respect of the successful development of the Touquoy Gold Project during the period of his employment with the Company.

	SALARY AUD	SHORT TERM		POST EMPLOYMENT		EQUITY		TOTAL AUD
		DIRECTORS' FEES AUD	CONSULTING FEES AUD	SUPERANNUATION AUD	VALUE OF SHARE OPTIONS AUD	% OF TOTAL REMUNERATION %		
2008								
Directors								
R J Hawkes	–	60,000	–	5,400	2,559	3.8	67,959	
W R Bucknell	222,500	–	–	20,025	28,407	10.5	270,932	
R H N Symons	–	30,000	–	2,700	512	1.5	33,212	
Executives								
Australia								
A A Pilkington (appointed 14 October 2008)	–	–	41,506	–	–	–	41,506	
P W Killen (resigned 30 June 08)	–	–	50,000	–	–	–	50,000	
Canada								
P Carter (resigned 15 July 2008)	CAD 135,250	CAD –	CAD –	CAD 2,049	CAD –	% –	CAD 137,299	
	AUD	AUD	AUD	AUD	AUD	%	AUD	
2007								
Directors								
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	
Executives								
Australia								
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	
Canada								
P Carter	CAD 200,000	CAD –	CAD –	CAD 1,990	CAD 31,384	% 13.4	CAD 233,374	

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 cannot be transferred and will not be listed on the Australian Securities Exchange (ASX). The assessed fair value of the 15 cent options was 1.59 cents except for Mr Carter where the assessed fair value was 1.74 cents.

On 29 August 2008 the Company issued 2,000,000 options to Mr Bucknell using the same vesting conditions mentioned above for the Employee Share Option Plan in 2006. The assessed fair value of these 15.5 cent options was 3.01 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 disclosed above 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 at time of issue and expected volatility of the underlying share (40%), the exercise price and term of the option (4 years), the risk free interest rate (6% in 2006 and 7.32% in 2008) and expected dividends, adjusted to reflect the prohibition on sale or transfer of options and vesting conditions.

2,200,000 options issued to directors on 21 November 2004 at an exercise price of 20 cents expired on 31 December 2008.

Options granted as remuneration

	EXERCISE PRICE	ISSUE DATE	EXPIRY DATE	NO. OF OPTIONS OUTSTANDING AT 31 DEC 2008	NO. OF OPTIONS VESTED AT 31 DEC 2008
	\$				
Directors					
R J Hawkes	0.15	23 Aug 2006	22 Aug 2010	1,000,000	1,000,000
W R Bucknell	0.15	23 Aug 2006	22 Aug 2010	2,000,000	2,000,000
	0.155	29 Aug 2008	28 Aug 2012	2,000,000	400,000
R H N Symons	0.15	23 Aug 2006	22 Aug 2010	100,000	100,000
Executives					
P Carter	0.15	15 Oct 2006	14 Oct 2010	400,000 ¹	400,000

Note 1: 2,600,000 15 cent options not already vested to Mr Carter were forfeited upon his resignation on 15 July 2008.

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 2008
	\$				
Directors					
R J Hawkes	0.18	19 Jun 2008	30 Oct 2009	–	2,711,757
W R Bucknell	0.18	19 Jun 2008	30 Oct 2009	–	596,578
R H N Symons	0.18	19 Jun 2008	30 Oct 2009	–	10,000

Directors' report

Ordinary shares held by directors and executives

	BALANCE AT 1 JAN 2008	GRANTED AS COMPENSATION	EXERCISE OF OPTIONS	PURCHASE OF SHARES	BALANCE AT 31 DEC 2008
Fully paid ordinary shares					
Directors					
R J Hawkes	24,530,056	–	–	1,226,505	25,756,561
W R Bucknell	5,499,156	–	–	274,960	5,774,116
R H N Symons	100,000	–	–	5,000	105,000
Partly paid ordinary shares					
Directors					
R J Hawkes	5,750,000	–	–	–	5,750,000
W R Bucknell	1,036,860	–	–	–	1,036,860
R H N Symons	–	–	–	–	–

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	25,756,561	5,750,000	3,711,757
Mr W R Bucknell	5,774,116	1,036,860	4,596,578
Mr R H N Symons	105,000	–	110,000

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 2008 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 7 and forms part of the Directors' Report for the year ended 31 December 2008.

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



W R Bucknell, Director
Sydney, 19 March 2009

Lead auditor's independence declaration

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

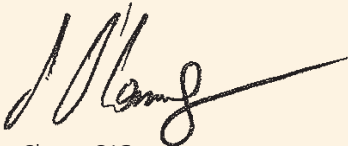
To the Directors of Atlantic Gold NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2008 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

KPMG



Shane O'Connor
Partner

Sydney
19 March 2009

Income statements

For the year ended 31 December 2008

	NOTE	CONSOLIDATED		THE COMPANY	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue		–	–	510,697	416,740
Foreign exchange gain		–	–	334,975	404,285
Financial income		110,541	93,146	107,639	91,520
Financial expenses		(425,132)	(361,947)	(424,687)	(361,945)
Net financial income and expense	3	(314,591)	(268,801)	(317,048)	(270,425)
Impairment of investments		(555,620)	–	–	–
Impairment of exploration assets	2	(1,102,846)	(689,893)	–	–
Impairment of loan to Controlled Entity		–	–	(1,377,501)	(1,164,826)
General and administrative expenses	2	(638,254)	(593,592)	(1,032,795)	(905,223)
Profit/(loss) before tax		(2,611,311)	(1,552,286)	(1,881,672)	(1,519,449)
Income tax expense	4	–	–	–	–
Loss for the year		(2,611,311)	(1,552,286)	(1,881,672)	(1,519,449)
Attributable to equity holders of the company		(2,611,311)	(1,552,286)	(1,881,672)	(1,519,449)
Basic and diluted earnings per share (cents per share)	7	(1.08)	(0.78)		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

Balance sheets

As at 31 December 2008

	NOTE	CONSOLIDATED		THE COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	8	339,079	3,497,289	258,720	3,395,518
Trade and other receivables	9	167,376	336,639	10,045	15,464
Other	10	77,539	170,539	40,598	169,179
Total current assets		583,994	4,004,467	309,363	3,580,161
Non-current assets					
Receivables	11	–	–	13,081,516	10,975,435
Other financial assets	12	11,880	126,720	103	103
Property, plant and equipment	13	549,770	188,603	–	–
Exploration and evaluation assets – intangibles	14	12,363,872	10,426,155	–	–
Total non-current assets		12,925,522	10,741,478	13,081,619	10,975,538
Total assets		13,509,516	14,745,945	13,390,982	14,555,699
Current liabilities					
Trade and other payables	15	160,494	234,443	41,960	61,619
Loan and borrowings	16	67,222	1,114,927	67,222	1,114,927
Employee benefits		43,500	50,322	43,500	32,900
Total current liabilities		271,216	1,399,692	152,682	1,209,446
Non-current liabilities					
Loan and borrowings	16	382,778	–	382,778	–
Employee benefits		69,300	27,400	69,300	27,400
Total non-current liabilities		452,078	27,400	452,078	27,400
Total liabilities		723,294	1,427,092	604,760	1,236,846
NET ASSETS		12,786,222	13,318,853	12,786,222	13,318,853
Equity					
Share capital	17	32,465,237	31,150,872	32,465,237	31,150,872
Reserves		890,889	126,574	390,097	355,421
Accumulated losses		(20,569,904)	(17,958,593)	(20,069,112)	(18,187,440)
TOTAL EQUITY		12,786,222	13,318,853	12,786,222	13,318,853

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

Statements of changes in equity

For the year ended 31 December 2008

	SHARE CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	OPTIONS RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	\$	\$	\$	\$	\$	\$
CONSOLIDATED 2008						
Balance 1 January 2008	31,150,872	211,933	(440,780)	355,421	(17,958,593)	13,318,853
Foreign currency translation differences		288,859				288,859
Net change in fair value of available for sale assets			(55,440)			(55,440)
Transfer of fair value reserve to Income Statement			496,220			496,220
Options issued				34,676		34,676
Income and expenses recognised directly in equity		288,859	440,780	34,676		764,315
Profit/(loss) for the period					(2,611,311)	(2,611,311)
Total recognised income and expenses		288,859	440,780	34,676	(2,611,311)	(1,846,996)
Issue of shares on exercise of options	9,258					9,258
Placement of shares to CRX	640,457					640,457
Issue of shares on exercise of options	3,933					3,933
Proceeds of rights issue	692,805					692,805
Costs of issues	(32,088)					(32,088)
Balance 31 December 2008	32,465,237	500,792	–	390,097	(20,569,904)	12,786,222
2007						
Balance 1 January 2007	24,509,545	(138,284)	(123,400)	43,516	(16,406,307)	7,885,070
Foreign currency translation differences		350,217				350,217
Net change in fair value of available for sale assets			(317,380)			(317,380)
Options issued				311,905		311,905
Income and expenses recognised directly in equity		350,217	(317,380)	311,905		344,742
Profit/(loss) for the period					(1,552,286)	(1,552,286)
Total recognised income and expenses		350,217	(317,380)	311,905	(1,552,286)	(1,207,544)
Issue of shares on exercise of options	1,875,969					1,875,969
Call on partly paid shares	607,692					607,692
Placements of shares	4,213,579					4,213,579
Exercise of unlisted options	9,000					9,000
Costs of issues	(64,913)					(64,913)
Balance 31 December 2007	31,150,872	211,933	(440,780)	355,421	(17,958,593)	13,318,853

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

COMPANY	SHARE CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	OPTIONS RESERVE	RETAINED EARNINGS	TOTAL EQUITY
	\$	\$	\$	\$	\$	\$
2008						
Balance 1 January 2008	31,150,872	–	–	355,421	(18,187,440)	13,318,853
Options issued				34,676		34,676
Income and expenses recognised directly in equity				34,676		34,676
Profit/(loss) for the period					(1,881,672)	(1,881,672)
Total recognised income and expenses				34,676	(1,881,672)	(1,846,996)
Issue of shares on exercise of options	9,258					9,258
Placement of shares to CRX	640,457					640,457
Issue of shares on exercise of options	3,933					3,933
Proceeds of rights issue	692,805					692,805
Costs of issues	(32,088)					(32,088)
Balance 31 December 2008	32,465,237	–	–	390,097	(20,069,112)	12,786,222
2007						
Balance 1 January 2007	24,509,545	–	–	43,516	(16,667,991)	7,885,070
Options issued				311,905		311,905
Income and expenses recognised directly in equity				311,905		311,905
Profit/(loss) for the period					(1,519,449)	(1,519,449)
Total recognised income and expenses				311,905	(1,519,449)	(1,207,544)
Issue of shares on exercise of options	1,875,969					1,875,969
Call on partly paid shares	607,692					607,692
Placements of shares	4,213,579					4,213,579
Exercise of unlisted options	9,000					9,000
Costs of issues	(64,913)					(64,913)
Balance 31 December 2007	31,150,872	–	–	355,421	(18,187,440)	13,318,853

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

Statements of cash flows

For the year ended 31 December 2008

	NOTE	CONSOLIDATED		THE COMPANY	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Payments to suppliers and employees		(558,799)	(580,046)	(472,850)	(417,260)
Interest received		110,697	91,149	107,639	89,524
Interest paid		(95,947)	(141,881)	(95,492)	(141,879)
Net cash used in operating activities	26(b)	(544,049)	(630,778)	(460,703)	(469,615)
Cash flows from investing activities					
Purchase of property, plant and equipment		(367,832)	(50,780)	–	–
Payments for exploration and evaluation assets		(2,720,782)	(4,190,896)	–	–
Loan to Controlled Entity		–	–	(3,148,606)	(4,186,027)
Net cash used in investing activities		(3,088,614)	(4,241,676)	(3,148,606)	(4,186,027)
Cash flows from financing activities					
Rights issue receipts		692,805	–	692,805	–
Proceeds from exercise of options		13,191	1,884,969	13,191	1,884,969
Call on partly paid shares		–	607,692	–	607,692
Proceeds from placements		–	3,511,355	–	3,511,355
Paid share issue costs		(32,088)	(64,914)	(32,088)	(64,914)
Proceeds from borrowings		–	1,000,000	–	1,000,000
Repayment of borrowings		(201,397)	(1,005,921)	(201,397)	(1,005,921)
Prepayment of interest		–	(94,241)	–	(94,241)
Proceeds from sale of assets		–	111,328	–	–
Net cash from financing activities		472,511	5,950,268	472,511	5,838,940
Net decrease in cash and cash equivalents		(3,160,152)	1,077,814	(3,136,798)	1,183,298
Cash and cash equivalents at beginning of period		3,497,289	2,412,795	3,395,518	2,212,220
Effect of exchange rate fluctuations on cash held		1,942	6,680	–	–
Cash and cash equivalents at end of period	26(a)	339,079	3,497,289	258,720	3,395,518

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 13 to 30.

Notes to the financial statements

For the year ended 31 December 2008

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 2008 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) (including Australian Interpretations) and the Corporations Act 2001. The financial reports of the Consolidated Entity and the Company also comply with International Financial Reporting Standards (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 except for available for sale financial assets which are measured at fair value. The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Consolidated Entity.

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.

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. Exploration and evaluation expenditure has been incurred in respect of projects which have yet to reach a stage of development where a determination of technical feasibility and commercial viability of the project can be assessed on a comprehensive basis. In these circumstances, the directors have used their experience to determine whether there is any indication that these assets have been impaired and have concluded that there are currently no such indications.

The accounting policies have been applied consistently by consolidated entities.

c. Going concern

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

The directors believe that the Company and the Consolidated Entity will be able to fund future operations through equity raisings (including the issue of shares to existing shareholders and public placements of new shares) or using other asset exploitation arrangements, such as farm-out, joint venture or sale.

In the event that the Consolidated Entity were not to either succeed in any of their strategies for release of the value of the Nova Scotia assets or to raise sufficient equity to meet asset holding costs, there would be uncertainty as to whether the Consolidated Entity would be able to continue as a going concern. Director's cash flow plans are directed to at least holding sufficient cash to meet asset holding costs during a commercially appropriate period for consideration and negotiation of asset development or other asset exploitation arrangements.

If the Consolidated Entity is unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classifications of liabilities in order to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

Notes to the financial statements

For the year ended 31 December 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued:

d. Basis of consolidation

Controlled Entities

The financial statements of Controlled Entities are included from the date control commences until the date control ceases.

Joint ventures

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

Jointly controlled operations and assets

The Consolidated Entity's interest in jointly controlled operations and 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.

e. 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.

f. Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

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

g. 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.

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

h. Exploration and evaluation expenditure

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

Exploration and evaluation expenditure, including the costs of acquiring licences, are capitalised either as tangible or intangible depending on their nature on a project by project basis pending determination of technical feasibility and commercial viability. 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.

Expenditure deemed to be unsuccessful is recognised in the income statement immediately.

Exploration and evaluation assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Unlike other assets, there is no requirement to assess whether an indication of impairment exists at each reporting date until an entity has sufficient information to reach a conclusion about commercial viability and the feasibility of extraction.

i. 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

Foreign operations' 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.

j. 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.

k. Determination of fair values

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had

each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of employee stock options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Notes to the financial statements

For the year ended 31 December 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued:

I. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the Consolidated Entity's non-financial assets, other than deferred tax assets (refer note 1m), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in 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 the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

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 substantively 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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 cost less any impairment.

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 and foreign exchange gains and losses that are recognised in the income statement.

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 amortised cost.

r. Non-derivative financial instruments

Available-for-sale financial assets

The Consolidated Entity's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 1), are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

s. Property, plant and equipment

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

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 they are available for use. Land is not depreciated.

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

Plant and equipment	20–40%
Leasehold improvements	10%

t. 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.

Notes to the financial statements

For the year ended 31 December 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued:

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 amortised 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. Reserves

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

Options reserve

The option reserve comprises the fair value of options granted to directors and employees meeting vesting conditions as well as the fair value of options granted in relation to financial liabilities representing transaction costs.

y. 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 2008, 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 Consolidated Entity has not yet determined the potential effect of the revised AASB 101 *Presentation of Financial Statements* on the Consolidated Entity'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.

The Consolidated Entity has not yet determined the potential effect of AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment* on the Consolidated Entity's financial report.

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 2: LOSS BEFORE TAX				
<i>Loss from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:</i>				
Impairment of loan to Controlled Entity	–	–	1,377,501	1,164,826
Exploration expenditure written off	1,102,846	689,893	–	–
Consulting fees	–	–	(510,697)	(416,740)
General and administrative expenses				
Administrative costs	233,859	186,327	186,223	150,720
Amounts set aside to/(written back from) provision for employee benefits	52,500	9,493	52,500	(7,200)
Corporate costs	103,629	81,064	103,180	81,064
Depreciation and amortisation expense	9,840	9,308	–	–
Employee and Director benefits expense	136,890	193,875	630,244	639,098
Net loss on disposal of investments	–	28,672	–	–
Occupancy expense	35,928	35,878	–	–
Other expenses from ordinary activities	65,608	48,975	60,648	41,541
	638,254	593,592	1,032,795	905,223

NOTE 3: FINANCIAL INCOME AND EXPENSES

Financial income	110,541	93,146	107,639	91,520
Financial expenses	(425,132)	(361,947)	(424,687)	(361,945)
Net financial income and expenses	(314,591)	(268,801)	(317,048)	(270,425)

Financial income relates to interest received from term deposits.

Financial expenses comprise interest payments and the amortisation of transaction costs in relation to the CRX loan liability.

Notes to the financial statements

For the year ended 31 December 2008

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 4: INCOME TAX EXPENSE				
<i>Numerical reconciliation between tax benefit and pre-tax net loss</i>				
Loss before tax	(2,611,311)	(1,552,286)	(1,881,672)	(1,519,449)
Total income tax benefit calculated at 30%	(783,393)	(465,686)	(564,502)	(455,834)
Increase in income tax expense due to:				
Impairment of loan to Controlled Entity	–	–	413,250	349,448
Other non-allowable items	12,166	19,226	10,403	18,822
	(771,227)	(446,460)	(140,849)	(87,565)
Deferred tax asset not brought to account	771,227	446,460	140,849	87,565
Income tax expense on pre-tax loss	–	–	–	–
<i>Recognised tax assets and liabilities</i>				
Deferred tax assets and liabilities are attributable to the following:				
Exploration and evaluation expenditure	612,936	932,580	–	–
Provisions	(33,840)	(23,316)	–	–
Other	(36,289)	(40,402)	–	–
Tax loss carry-forwards	(542,807)	(868,862)	–	–
Net deferred tax liability	–	–	–	–
<i>Deferred tax asset not taken to account</i>				
Tax losses carried forward:				
Tax losses	5,109,690	4,305,841	5,608,816	5,156,360
Deductible temporary differences	166,686	–	70,129	58,492
	5,276,376	4,305,841	5,678,945	5,214,852

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	60,000	37,415	60,000	37,415
Taxation services – KPMG	3,110	9,146	–	–
	63,110	46,561	60,000	37,415

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.

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
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)	(2,611,311)	(1,552,286)		
	NO.	NO.		
Weighted average number of shares				
Issued ordinary shares at 1 January	240,068,238	192,003,012		
Effect of shares issued in first quarter	63,450	(39,607)		
Effect of shares issued in second quarter	–	6,214		
Effect of shares issued in third quarter	3,003	16,001		
Effect of shares issued in fourth quarter	864,781	6,129,454		
	240,999,472	198,115,074		
Basic and dilutive ordinary earnings per share	(1.08 cents)	(0.78 cents)		
NOTE 8: CASH AND CASH EQUIVALENTS				
Cash at bank	32,666	110,564	8,945	61,057
Bank short term deposits	306,413	3,386,725	249,775	3,334,461
	339,079	3,497,289	258,720	3,395,518
NOTE 9: TRADE AND OTHER RECEIVABLES				
Receivables from joint venture partners	–	48,615	–	–
Other receivables	110,670	226,665	10,045	15,464
Security deposits	56,706	61,359	–	–
	167,376	336,639	10,045	15,464
NOTE 10: OTHER CURRENT ASSETS				
Prepayments – Insurance	77,539	18,270	40,598	16,910
Prepayments – Interest	–	152,269	–	152,269
	77,539	170,539	40,598	169,179
NOTE 11: NON-CURRENT RECEIVABLES				
Loans to Controlled Entity	–	–	20,499,891	17,016,308
Provision for diminution	–	–	(7,418,375)	(6,040,873)
	–	–	13,081,516	10,975,435
NOTE 12: OTHER FINANCIAL ASSETS				
Available for sale financial assets	11,880	126,720	–	–
Investments in Controlled Entities:				
Unlisted shares at cost	–	–	1,577,105	1,577,105
Provision for diminution	–	–	(1,577,002)	(1,577,002)
	11,880	126,720	103	103

Notes to the financial statements

For the year ended 31 December 2008

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 13: PROPERTY, PLANT AND EQUIPMENT				
Land				
Land at cost	285,509	48,200	–	–
Surface title purchase deposits	249,421	121,093	–	–
	534,930	169,293	–	–
Plant and equipment				
At cost	73,002	80,974	–	–
Accumulated depreciation	(58,405)	(62,585)	–	–
	14,597	18,389	–	–
Leasehold improvements				
At cost	6,784	6,784	–	–
Accumulated amortisation	(6,541)	(5,863)	–	–
Total leasehold improvements	243	921	–	–
Total property, plant and equipment	549,770	188,603	–	–
Reconciliations				
Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:				
Land				
Carrying amount at beginning of year	169,293	114,587	–	–
Effect of movement in exchange rates	3,287	7,945	–	–
Additions	362,350	46,761	–	–
Carrying amount at end of year	534,930	169,293	–	–
Plant and equipment				
Carrying amount at beginning of year	18,389	22,626	–	–
Effect of movement in exchange rates	124	733	–	–
Additions	5,481	4,019	–	–
Disposals	–	(359)	–	–
Depreciation	(9,397)	(8,630)	–	–
Carrying amount at end of year	14,597	18,389	–	–
Leasehold improvements				
Carrying amount at beginning of year	921	1,599	–	–
Amortisation	(678)	(678)	–	–
Carrying amount at end of year	243	921	–	–
NOTE 14: EXPLORATION AND EVALUATION EXPENDITURE				
Costs carried forward in respect of areas of interest in:				
Exploration	3,867,489	3,632,492	–	–
Evaluation Touquoy Gold Project	8,496,383	6,793,663	–	–
	12,363,872	10,426,155	–	–
Reconciliations				
Carrying amount at the beginning of year	10,426,155	6,831,577	–	–
Effect of movement in exchange rates	98,296	233,157	–	–
Expenditure incurred during current year	2,942,267	4,051,314	–	–
Less impairment	(1,102,846)	(689,893)	–	–
Carrying amount at the end of year	12,363,872	10,426,155	–	–

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 15: TRADE AND OTHER PAYABLES				
Trade payables	145,479	201,018	26,945	28,195
Other payables	15,015	33,425	15,015	33,424
	160,494	234,443	41,960	61,619

NOTE 16: LOANS AND BORROWINGS

Unsecured loan	450,000	1,291,854	450,000	1,291,854
Unamortised option costs	–	(176,927)	–	(176,927)
	450,000	1,114,927	450,000	1,114,927
Non-current portion of unsecured loan	382,778	–	382,778	–
Current portion of unsecured loan	67,222	1,291,854	67,222	1,291,854
	450,000	1,291,854	450,000	1,291,854

The Company's loan outstanding from CRX Investments Pty Ltd ('CRX') is an unsecured liability and is due to be repaid in full on or before 27 January 2010. CRX has an ability prior to this date to convert its loan into Company shares and likewise the Company has an ability to repay the outstanding loan in advance at any time without penalty. Loan interest and principal payments are payable in advance. On 31 October 2009, the Company additionally is required to repay \$50,000 in loan principal should it have cash balances and surplus working capital in excess of certain threshold levels. CRX holds 7.5 million share options each exercisable into one fully paid share of the Company at a strike price of 15 cents expiring on 27 December 2009. During the year \$201,397 was repaid in cash and \$640,457 was repaid by the issue of 12.7 million shares. As at 31 December 2008, CRX was a substantial shareholder of the Company's fully paid ordinary shares.

NOTE 17: CONTRIBUTED EQUITY

228,289,385 (2007: 209,781,896) fully paid ordinary shares	29,733,411	28,419,045	29,733,411	28,419,045
30,286,342 (2007: 30,286,342) partly paid ordinary shares	2,731,827	2,731,827	2,731,827	2,731,827
	32,465,237	31,150,872	32,465,237	31,150,872

	FULLY PAID ORDINARY SHARES		PARTLY PAID ORDINARY SHARES	
	2008	2007	2008	2007
	NO.	NO.	NO.	NO.
Shares on issue at the beginning of the year	209,781,896	161,716,670	30,286,342	30,286,342
Rights issue	5,773,442	–	–	–
Issue of shares on exercise of options	21,852	15,653,077	–	–
Placements of shares	12,812,195	32,412,149	–	–
Shares on issue at the end of the year	228,389,385	209,781,896	30,286,342	30,286,342

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.

Notes to the financial statements

For the year ended 31 December 2008

NOTE 18: OPTIONS

EXPIRY DATE	EXERCISE PRICE	OUTSTANDING AT 31 DEC 2007	ISSUED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	OUTSTANDING AT 31 DEC 2008
Listed						
30 October 2009	\$0.18	–	21,743,742	(21,852)	–	21,721,890
Unlisted						
31 December 2008	\$0.20	2,200,000	–	–	(2,200,000)	–
22 August 2010	\$0.15	4,550,000	–	–	–	4,550,000
28 August 2012	\$0.155	–	2,000,000	–	–	2,000,000
14 October 2010	\$0.15	3,000,000	–	–	(2,600,000)	400,000
27 December 2008	\$0.15	7,500,000	–	–	(7,500,000)	–
27 December 2009	\$0.15	–	7,500,000	–	–	7,500,000
		17,250,000	31,243,742	(21,852)	(12,300,000)	36,171,890

NOTE 19: 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.

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
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 2009 an amount of approximately \$14,757 (2007 \$25,925) in respect of exploration expenditure.

NOTE 20: 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.

NOTE 21: 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		CONSOLIDATED	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Segment Revenue	–	–	–	–	–	–
Segment Result	(602,109)	–	(500,737)	(689,893)	(1,102,846)	(689,893)
Unallocated expenses					(638,254)	(593,592)
Impairment in value of investment					(555,620)	–
Financial income					110,541	93,146
Financial expenses					(425,132)	(361,947)
Net financing income					(314,591)	(268,801)
Loss before tax					(2,611,311)	(1,552,286)
Income Tax					–	–
Net Loss					(2,611,311)	(1,552,286)
Depreciation	6,268	6,224	3,572	3,084	9,840	9,308
Impairment in value of investment	555,620	–	–	–	555,620	–
Exploration expenditure written off	602,109	–	500,737	689,893	1,102,846	689,893
Segment Assets	389,644	4,353,078	13,119,872	10,392,867	13,509,516	14,745,945
Segment Liabilities	700,771	1,257,058	22,523	170,034	723,294	1,427,092
Capital expenditure	2,649	2,277	365,183	48,503	367,832	50,780

NOTE 22: CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED	
		2008	2007
		%	%
Particulars in relation to Controlled Entities			
Parent Entity			
Atlantic Gold NL	Australia		
Controlled Entities			
Atlantic Gold Exploration Pty Ltd	Australia	100	100
DDV Gold Limited	Canada	100	100

Notes to the financial statements

For the year ended 31 December 2008

NOTE 23: INTEREST IN JOINT VENTURE OPERATIONS

As at 31 December 2008 Controlled Entities had interests in the following exploration joint ventures :

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	%	%	%	%
Kookynie Development Area	50	50	–	–
Touquoy – Moose River	60	60	–	–
	(earning up to 75%)	(earning up to 75%)		
Caribou	–	50 ¹	–	–

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:

	\$	\$	\$	\$
Non-Current Assets				
Exploration and evaluation expenditure	10,011,851	9,598,712	–	–

NOTE 24: 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 an amount of \$28,632 (2007: \$37,960) was paid to Deacons for the provision of 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.

Controlled Entities

The Parent Company provided management and related services to Controlled Entities	510,697	416,740
Balance of loans to Controlled Entities outstanding at year end	13,081,516	10,975,435
Impairment of loans during the year	1,377,501	1,164,826

Reconciliation of loans to Controlled Entities:

Balance of loans to Controlled Entities at beginning of year	10,975,435	7,549,950
Increase in loans to Controlled Entities during the year	3,148,606	4,186,026
Effect of movement in exchange rates	334,976	404,285
Impairment of loans	(1,377,501)	(1,164,826)
Balance of loans to Controlled Entities outstanding at year end	13,081,516	10,975,435

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.

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			HELD AT
		1 JAN 2008	ACQUISITIONS	LAPSED	31 DEC 2008
2008					
Fully paid ordinary shares					
Directors	R J Hawkes	24,530,056	1,226,505	–	25,756,561
	W R Bucknell	5,499,156	274,960	–	5,774,116
	R H N Symons	100,000	5,000	–	105,000
Executives	P Carter	–	–	–	–
Partly paid ordinary shares					
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 Carter	–	–	–	–
Options					
Directors	R J Hawkes	2,000,000	2,711,757	(1,000,000)	3,711,757
	W R Bucknell	3,000,000	2,596,578	(1,000,000)	4,596,578
	R H N Symons	100,000	10,000	–	110,000
Executives	P Carter	3,000,000	–	(2,600,000)	400,000
2007					
Fully paid ordinary shares					
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	–	–	–	–
Partly paid ordinary shares					
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	–	–	–	–
Options					
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.

Notes to the financial statements

For the year ended 31 December 2008

NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

On 3 March 2009 the Company issued 6.8 million fully paid ordinary shares at 5 cents per share raising \$340,000. Other than this share issue, no other matter has 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.

	CONSOLIDATED		THE COMPANY	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank	32,666	110,564	8,945	61,057
Bank short term deposits	306,413	3,386,725	249,775	3,334,461
	339,079	3,497,289	258,720	3,395,518

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

Loss from ordinary activities after income tax	(2,611,311)	(1,552,286)	(1,881,672)	(1,519,449)
Add/(less) non-cash items:				
Effect of movement in exchange rates	43,351	53,884	–	–
Amortisation	678	678	–	–
Depreciation	9,397	8,764	–	–
Amounts set aside to provisions	34,740	10,222	52,500	(7,200)
Impairment of exploration expenditure	1,102,846	689,893	–	–
Impairment of loan to Controlled Entity	–	–	1,377,501	1,164,826
Impairment in value of investment	555,620	–	–	–
Amortisation of transaction costs	176,927	71,940	176,927	71,940
Value of director and employee options granted	34,676	62,740	34,676	62,740
Loss on sale of non-current assets	–	28,672	–	–
Unrealised foreign exchange	(46,132)	–	(334,975)	(404,285)

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

(Increase)/decrease in receivables	6,017	(131,163)	5,419	(11,664)
(Increase)/decrease in prepayments	93,000	146,456	128,581	146,545
Increase/(decrease) in payables	56,142	(20,578)	(19,660)	26,932
Net cash used in operating activities	(544,049)	(630,778)	(460,703)	(469,615)

NOTE 27: 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 \$
2008						
Financial assets						
Cash	32,666	306,413	339,079	8,945	249,775	258,720
Receivables	167,376	–	167,376	10,045	–	10,045
	200,042	306,413	506,455	18,990	249,775	268,765
Weighted average interest rate	–	6.53%	–	–	6.53%	–
Financial liabilities						
Accounts payable	160,494	–	160,494	41,960	–	41,960
Unsecured loan	–	450,000	450,000	–	450,000	450,000
	160,494	450,000	610,494	41,960	450,000	491,960
Weighted average interest rate	–	15.0%	–	–	15.0%	–
Net financial assets	39,548	(143,587)	(104,039)	(22,970)	(200,225)	(223,195)
2007						
Financial assets						
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%	–
Financial liabilities						
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) Credit risk

The maximum credit risk exposure of financial assets is represented by the carrying amounts of financial 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.

Notes to the financial statements

For the year ended 31 December 2008

NOTE 27: FINANCIAL INSTRUMENTS RISK EXPOSURES continued:

(e) Foreign exchange risk

	CONSOLIDATED		THE COMPANY	
	2008 \$ AUD	2007 \$ AUD	2008 \$ AUD	2007 \$ AUD
Current assets not effectively hedged:				
Cash held in Canadian dollars	69,855	99,316	–	–
Receivables in Canadian dollars	145,710	272,838	–	–
Current liabilities not effectively hedged:				
Accounts payable in Canadian dollars	22,522	152,613	–	–

The average foreign exchange rate CAD/AUD used in 2008 was 0.9002 (2007: 0.8986).

f) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	CARRYING AMOUNT \$	CONTRACTUAL CASH FLOW \$	6 MONTHS OR LESS \$	6–12 MONTHS \$	1–2 YEARS \$
Consolidated					
31 December 2008					
Loan and borrowings	450,000	522,778	45,000	95,000	382,778
Trade and other payables	160,493	160,493	160,493	–	–
	610,493	683,271	205,493	95,000	382,778
31 December 2007					
Loan and borrowings	1,114,927	1,362,688	123,881	1,238,808	–
Trade and other payables	234,443	234,443	234,443	–	–
	1,349,370	1,597,131	358,324	1,238,808	–
Company					
31 December 2008					
Loan and borrowings	450,000	522,778	45,000	95,000	382,778
Trade and other payables	41,960	41,960	41,960	–	–
	491,960	564,738	86,960	95,000	382,778
31 December 2007					
Loan and borrowings	1,114,927	1,362,688	123,881	1,238,808	–
Trade and other payables	61,619	61,619	61,619	–	–
	1,176,546	1,424,307	185,500	1,238,808	–

Directors' declaration

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

- 1 the financial statements and Notes and 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 2008 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 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 executive director and the chief financial officer for the financial year ended 31 December 2008.

Signed in accordance with a resolution of the Directors.



Walter R Bucknell
Director

Sydney, 19 March 2009

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

Report on the financial report

We have audited the accompanying financial report of Atlantic Gold NL (the Company), which comprises the balance sheets as at 31 December 2008, 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 27 and the Directors' declaration of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial 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.

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.

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

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 Consolidated Entity's financial position and of their performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

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 2008 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.

Going concern concept

Without qualification to the conclusion expressed above, attention is drawn to the following significant matter:

The annual financial report has been prepared on a going concern basis as discussed in note 1c which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. In note 1c the directors state why they consider the going concern basis used in the preparation of the financial report is appropriate.

Should the Company not be able to raise funds through equity raisings (including the issue of shares to existing shareholders and public placements of new shares) or asset exploitation arrangements, such as farm-out, joint venture or sale, there is uncertainty as to whether the Consolidated Entity will be able to continue as a going concern in which case it may not be able to realise its assets and extinguish its liabilities at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in pages 4 to 5 of the directors' report for the year ended 31 December 2008. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Atlantic Gold NL for the year ended 31 December 2008, complies with section 300A of the Corporations Act 2001.

KPMG

KPMG



Shane O'Connor, Partner

Sydney, 19 March 2009