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TOUQUOY GOLD PROJECT, NOVA SCOTIA, CANADA ENCOURAGING RESULTS FROM METALLURGICAL TESTWORK

Atlantic Gold NL ("Atlantic Gold" or the "Company") is pleased to report the receipt of encouraging metallurgical test work results conducted recently by Gekko Systems Ltd ("Gekko") on a representative sample of ore from the Touquoy Gold Project.

The test work has confirmed that more than 90% gold recovery can be achieved at a **very coarse grind** using the Gekko processing system. The coarse grind combined with Touquoy's relatively soft ore provides the Company with the opportunity to consider a substantially simpler and less expensive ore treatment option for Touquoy. Further investigations are required to quantify these options.

Gekko's recent work represents an extension of the comprehensive metallurgical test work on Touquoy ore previously completed by Atlantic Gold which evaluated a conventional gravity/CIL flow sheet. The test work by Gekko was an extension of Atlantic Gold's ongoing evaluation of Gekko's gold processing system and the test work completed simulated Gekko's ore processing flow sheet.

The ore treatment system proposed by Gekko for Atlantic Gold's well advanced Touquoy Gold Project involves a gravity circuit which will recover 70-75% of the gold, followed by flash flotation of the gravity tailings and then cyanidation of the flotation concentrate to recover the finer gold and to bring the total gold recovery to above 90%.

The results confirmed by Gekko are very positive. The test work found that:

- (i) even at a particle size of minus 850 μm (0.85 mm), which is over five times coarser than the 80% passing 150 μm grind size selected as optimal for the gravity/CIL flow sheet, a gold recovery in excess of 90% can be obtained, and

- (ii) because the ore is relatively soft, the final stage of ore comminution to minus 850 μm can be achieved using a Vertical Shaft Impactor, which is a substantially less expensive option than conventional milling.

The current metallurgical results support the Gekko process option considered previously with the expert assistance of Gemell Mining Engineers and reported in the December Quarterly report. Those preliminary engineering and financial analyses determined that using Gekko's gravity-float-and intensive leach processing method provides an attractive financial option with up front capital of US\$49 million (A\$76 million) and operating cash costs of US\$370 (A\$576) per ounce.

Final metallurgical test work will be undertaken to evaluate this promising ore treatment alternative and the ability to expand ore throughput by the treatment of lower grade stockpiles in order to maximize total production ounces.

The previous Engineering and Cost Study and the current Gekko metallurgical test work allows Atlantic Gold to thoroughly evaluate and compare the alternative gold processing methods and make the optimal mine development decision for its potentially near term producing Touquoy Gold Project.



W R Bucknell
Executive Director

About Atlantic Gold NL

Atlantic Gold aims to develop open pit gold deposits in Nova Scotia, the Touquoy Gold Project being the starting point. The extensive goldfields of Nova Scotia have never before been systematically approached in this way. The Company's skills are derived from 15 years of such work in Western Australia, where its principals, as executives and directors of the highly successful Plutonic Resources Limited, discovered more than 11 million ounces of gold and operated up to five gold mines. The Company principals have considerable previous experience in exploration in Atlantic Canada.

The target at Touquoy is to develop a project with a minimum 1.5 million tonne per annum throughput and a 6 year minimum mine life to produce up to 90,000 ounces gold per year. It receives 100% of cashflow from Touquoy until all development, pre-production and exploration expenses, charges and fees – capital or otherwise – are recouped, following which it returns 60% share of profits. Atlantic Gold holds a 60% interest in the Touquoy Gold Project. An additional 15% interest can be acquired in the property outside the general area of the known resource by securing project financing.

In addition to developing the Touquoy Gold Project Atlantic Gold is undertaking extensive exploration, both regional and near-mine, to build its resource base. The Company believes the area is highly prospective for additional Touquoy style deposits. Atlantic Gold's involvement in the advanced Cochrane Hill property reflects this strategy, to the extent that the company now has over 1 million ounces of gold resources under its control in the Touquoy district.