



ATLANTIC GOLD NL
ABN 82 062 091 909
and its controlled entities

FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2005

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2004 and any public announcement made by Atlantic Gold NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the six months ended 30 June 2005 and the auditor's review opinion thereon.

DIRECTORS

The names of directors who held office during or since the end of the six months are Mr Ronald J Hawkes, Mr Walter R Bucknell and Mr Donald L Cooper. All directors were appointed on 18 January 1999 and held office during the whole of the period of this report.

REVIEW OF OPERATIONS

TOUQUOY GOLD PROJECT, NOVA SCOTIA, CANADA (Atlantic Gold may earn up to 75%)

In May 2003 Atlantic Gold entered into an Agreement with Moose River Resources Inc (MRRI), a private Canadian company, to earn up to a 75% interest in the Touquoy Gold Project which is located in the Province of Nova Scotia Canada. Atlantic Gold is the operator and manager of the Project.

The Touquoy Gold Project covers approximately 1300 hectares and is located in the vicinity of several former producing gold mines. Current JORC compliant resources now stand at 8.43 million tonnes @ 2.1 g/t for 571,000 gold ounces. This represents an increase of 40% in the size of the resource that had been outlined prior to Atlantic Gold's involvement in the project.

As part of a major work to advance the Feasibility Study, Atlantic Gold completed in the period a drilling program of 70 diamond holes for 5477 metres. This program represents the first half of a staged resource delineation drilling program to complete infill of the existing drilling of the Touquoy Deposit on 20m x 25m centres. Assays from 26 of these holes have now been received and the results confirm our expectations about the good continuity of the major gold mineralised zones. The nature and scope of the next stage of drilling to complete the resource delineation will be determined following a review of all assay data from this program.

Concurrent with resource delineation drilling, geotechnical and hydrological data has been collected under the guidance of specialist consultants.

(i) Grindability testwork

With input from specialist consultant, Orway Mineral Consultants (WA) Pty Ltd, four shallow large diameter diamond holes were drilled to retrieve sufficient material representing the main ore types (argillite, argillite variants and greywacke) for comminution testwork for mill design. Testwork will be completed at Australian and Canadian laboratories over the coming months.

(ii) Geotechnical testwork

Detailed and specific geotechnical investigations were undertaken on eleven of the resource delineation drillholes under the guidance of Perth-based consultant, Peter O'Bryan and Associates, to refine parameters of pit design. Review of results is in progress.

(iii) Hydrological testwork

Airlift tests were undertaken on eight widely spaced resource delineation drillholes as a preliminary assessment of groundwater flows and distribution. No major groundwater was encountered. Detailed pump testing on selected holes will now be undertaken to enable pit dewatering design and assess potential impact on surface water flow characteristics.

(iv) Metallurgical testwork

Following receipt of all assay results representative assemblages of the main ore types will be sampled for final comprehensive metallurgical testwork.

PERMITTING

The permitting process continues to advance with ongoing routine collection of seasonal baseline environmental data particularly relating to surface water chemistry and drainage flow characteristics at the project site. Archaeological screening and a final fauna and flora survey have been undertaken. The baseline environmental monitoring will be completed in September with results to be incorporated into the Environment Registration Document.

Concurrent with these investigations, activities relating to community and government departmental liaison, and land acquisition remain ongoing.

PRODUCTION SCENARIO

The anticipated production scenario for the Touquoy Gold Project incorporates an on site treatment plant with a 1.5 million tonne per annum throughput and a 7 year minimum life to produce approximately 90,000 ounces of gold per year. The scenario implies a further increase in the existing resource inventory, to which the ongoing drilling is being applied. The low stripping ratio (3.5:1), excellent ore metallurgy (free milling with 95% recovery) and favourable ore grindability characteristics (Bond work index <10) are conducive to a relatively low cost and profitable mining operation. At this stage no significant impediments to project development are foreseen, provided funds are available and the gold price stays at or above current levels.

TOUQUOY REGIONAL EXPLORATION

A regional reconnaissance RAB drilling program seeking Touquoy-style open-pittable ore on Atlantic Gold's 100% owned property in the Touquoy district commenced in mid May and is presently in progress. At this time 550 holes for 5300 metres along 20 traverses have been drilled on targets selected on the basis of a combination of favorable soil and till geochemistry, geology, aeromagnetism and along-strike relationships to known gold occurrences/workings. The program is guided by results of baseline orientation data previously collected around the Touquoy deposit. These first-pass traverses are spaced at roughly 3km intervals along logging roads with holes sited approximately 80 metres apart. Holes are planned to penetrate the overburden and retrieve a small bedrock sample. Samples are assayed for gold and arsenic, together with a multi-element scan.

Assay results received to date particularly highlight the Caribou belt just north of Touquoy as a zone of interest. Anomalous gold at geochemical levels commensurate with those along strike from the Touquoy deposit are evident in bedrock and overburden over a strike length of about 7 km within the Atlantic Gold tenements with further assays northeast of the Caribou workings awaited. Infill follow-up will be undertaken as pending assays are received.

OTHER PROJECTS

No major activities were undertaken during the period on the Kookynie (WA), Beaconsfield (Tas) or Mt Drysdale (NSW) gold projects, or on the Ellendale Joint Venture (WA) diamond project. Plaintiff proceedings brought by a third party against the Ellendale project tenement were dropped.

CORPORATE

FUND RAISING

During the period the Company raised a total of \$3.15 million through a combination of share placements and a share purchase plan. The Company appreciates the continued support of shareholders.

CHANGE OF COMPANY NAME

Shareholders approved on 27 May 2005 a change of name to Atlantic Gold NL (ASX code ATV) to better reflect the Company's focus on exploration for gold and in particular the Touquoy Gold Project in Nova Scotia Canada.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

under section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half year ended 30 June 2005.

Signed at Sydney this 8th day of September 2005 in accordance with a resolution of the directors



W R Bucknell
Director

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

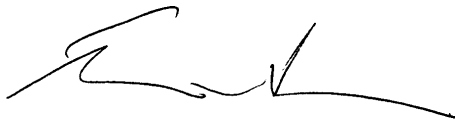
To the Directors of Atlantic Gold NL

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2005 there have been:

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



KPMG



Trent van Veen
Partner

Sydney
8 September 2005

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2005

	NOTE	CONSOLIDATED 30 JUNE 2005 \$	CONSOLIDATED 30 JUNE 2004 \$
Revenue from ordinary activities	3	25,789	37,241
Administration costs		(56,694)	(47,469)
Borrowing costs		(27)	(47)
Depreciation and amortisation expense		(1,733)	(1,939)
Employee and Director benefits expense		(153,885)	(87,503)
Exploration expenditure written off		(96,710)	–
Occupancy expense		(17,939)	(17,588)
Foreign exchange gain		26,815	20,895
Other expenses from ordinary activities		(81,483)	(49,189)
Loss from ordinary activities before income tax expense		(355,867)	(145,599)
Income tax expense relating to ordinary activities	4	–	–
Net loss		(355,867)	(145,599)
Basic (loss) per share (cents per share)	2	(0.2)	(0.1)
Diluted (loss) per share (cents per share)	2	(0.2)	(0.1)

The condensed consolidated interim income statement should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2005

	NOTE	CONSOLIDATED 30 JUNE 2005 \$	CONSOLIDATED 31 DECEMBER 2004 \$
Current assets			
Cash assets		2,271,091	478,287
Receivables		230,861	85,154
Other current assets		36,461	14,807
Total current assets		2,538,413	578,248
Non-current assets			
Property, plant and equipment		79,656	13,106
Exploration, evaluation and development expenditure	5	3,731,182	2,770,798
Total non-current assets		3,810,838	2,783,904
TOTAL ASSETS		6,349,251	3,362,152
Current liabilities			
Payables		322,888	71,341
Provisions		29,100	15,100
Total current liabilities		351,988	86,441
TOTAL LIABILITIES		351,988	86,441
NET ASSETS		5,997,263	3,275,711
Equity			
Issued capital	7	21,573,672	18,496,253
Accumulated losses	6	(15,576,409)	(15,220,542)
TOTAL EQUITY		5,997,263	3,275,711

The condensed consolidated interim balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	CONSOLIDATED 30 JUNE 2005 \$	CONSOLIDATED 30 JUNE 2004 \$
Total equity at the beginning of the period	3,275,711	3,338,890
Loss for the period	(355,867)	(145,599)
Transactions with equity holders in their capacity as equity holders		
Contributions of equity net of transaction costs	3,077,419	2,469
Total equity at the end of the period	5,997,263	3,195,760
Attributable to:		
Equity holders of the parent	5,997,263	3,195,760

The condensed consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2005

	CONSOLIDATED 30 JUNE 2005 \$	CONSOLIDATED 30 JUNE 2004 \$
Cash flows from operating activities		
Receipts from customers	–	6,000
Payments to suppliers and employees	(185,000)	(262,640)
Interest received	25,789	31,787
Interest paid	(27)	(47)
Net cash used in operating activities	(159,238)	(224,900)
Cash flows from investing activities		
Payments for property, plant and equipment	(68,283)	(3,938)
Payments for exploration expenditure	(1,057,094)	(897,642)
Payments for security deposits	–	(24,776)
Net cash used in investing activities	(1,125,377)	(926,356)
Cash flows from financing activities		
Proceeds from share issues	3,151,968	2,469
Share issue costs	(74,549)	–
Net cash provided by financing activities	3,077,419	2,469
Net increase / (decrease) in cash held	1,792,804	(1,148,787)
Cash at 1 January	478,287	1,787,128
CASH AT 30 JUNE	2,271,091	638,341

The condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Atlantic Gold NL is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 30 June 2005 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 condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (AIFRS).

This is the Consolidated Entity's first AIFRS consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards*. The interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of its preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRSs. This report must also be read in conjunction with any public announcements made by the Company during the half year in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*.

B. BASIS OF PREPARATION

The financial report is presented in Australian dollars. The financial report is prepared on the historical cost basis and, except where stated, does not take into account changing money values or fair values of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report has been prepared on the basis of a going concern. This basis assumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities will occur in the normal course of business. The Directors believe that the Company will be able to fund future operations through equity raising and the joint venturing or sale of interest held in mineral tenements and projects.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These 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.

This condensed consolidated interim financial report has been prepared on the basis of AIFRSs in issue that are effective or available for early adoption at the Consolidated Entity's first AIFRS annual reporting date, 31 December 2005. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year ended 31 December 2005.

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 31 December 2005 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim

financial information will be determined only when the first AIFRS financial statements are prepared at 31 December 2005.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They have also been applied in preparing an opening AIFRS balance sheet at 1 January 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS, as required by AASB 1. The impact of the transition from previous GAAP to AIFRSs is explained in note 8.

The accounting policies have been applied consistently throughout the Consolidated Entity for purposes of this condensed consolidated interim financial report.

C. BASIS OF CONSOLIDATION

Controlled Entities

The financial reports 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 report.

Joint ventures

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

Joint venture entities

In the consolidated financial report, 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 statement of financial performance from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly on consolidated reserves.

Joint venture operation

The Consolidated Entity's interest in unincorporated joint ventures is brought to account by including its proportionate share of the joint venture's assets, liabilities and expenses and the Consolidated Entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between Controlled Entities are eliminated in full on consolidation. Unrealised gains resulting from transactions with joint ventures are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to joint venture 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.

D. REVENUE RECOGNITION

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

E. INCOME TAX

Income tax on the income statement for the periods presented comprises current and deferred tax.

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 adjustments 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 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.

F. ACQUISITION OF ASSETS

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value.

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.

G. IMPAIRMENT

The carrying amounts of assets other than exploration and evaluation expenditure carried forward (refer note 1K), are reviewed at each balance sheet date to determine whether there is any indication of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

H. DEPRECIATION

All assets have limited useful lives and are depreciated using the straight line method over their useful lives. 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%

I. LEASED ASSETS

Lease payments made under operating leases, where substantially all the risks and benefits remain with the lessor, are expensed on a straight line basis over the term of the lease.

J. INVESTMENTS

Controlled Entities

Investments in Controlled Entities are carried in the Company's financial report at the lower of cost and recoverable amount.

K. EXPLORATION, EVALUATION AND DEVELOPMENT 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.

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

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

L. EMPLOYEE BENEFITS

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs.

Superannuation

Contributions made to defined contribution pension plans are charged as expenses when incurred.

M. DERIVATIVES

The Consolidated Entity is exposed to changes in interest rates from its activities. The Consolidated Entity does not use derivative financial instruments to hedge this risk.

N. 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 Australian Tax Office (ATO). 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 ATO is included as a current asset or liability in the balance sheet.

O. PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or Consolidated Entity.

P. 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 (including partly paid shares) outstanding during the financial year.

Diluted Earnings per share

Diluted EPS 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.

Q. 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.

Hedging

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

Foreign controlled entity

The functional currency of the foreign controlled entity is Australian dollars. Revenues and expenses, the acquisition of assets, the settlement of liabilities incurred in Canadian dollars are translated at exchange rates current when the transactions occurred.

R. RECEIVABLES

The collectability of debts is assessed at reporting date and a specific provision is made for any doubtful amounts.

NOTE 2: LOSS PER SHARE

	2005	2004
Basic and diluted earnings/(loss) per share (cents per share)	(0.2)	(0.1)
	NUMBER OF SHARES	NUMBER OF SHARES
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings (loss) per share	144,086,899	131,978,818

NOTE 3: REVENUE

	CONSOLIDATED 30 JUNE 2005	CONSOLIDATED 30 JUNE 2004
	\$	\$
Operating revenue		
Interest – Other entities	25,789	31,787
Other income	–	5,454
Total revenue from ordinary activities	25,789	37,241

NOTE 4: INCOME TAX

	CONSOLIDATED 30 JUNE 2005	CONSOLIDATED 30 JUNE 2004
	\$	\$
The prima facie income tax on pre-tax accounting loss reconciles to the income tax benefit in the financial statements as follows:		
Loss from ordinary activities	(355,867)	(145,599)
Prima facie income tax benefit calculated at 30% (2004 30%) of operating profit	(106,760)	(43,679)
Future income tax benefits not recognised	106,760	43,679
Income tax benefit attributable to operating loss	–	–

NOTE 5: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	CONSOLIDATED 30 JUNE 2005	CONSOLIDATED 31 DECEMBER 2004
	\$	\$
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases	3,731,182	2,770,798
Reconciliations		
Balance at beginning of period	2,770,798	1,625,644
Expenditure incurred during current period	1,057,094	1,633,849
Less: write-offs	(96,710)	(488,695)
Balance at end of period	3,731,182	2,770,798

The ultimate recoverability of the capitalised exploration, evaluation and development expenditure is dependent upon either the successful development and production of economically recoverable reserves from, or sale of, the various areas of interest.

NOTE 6: ACCUMULATED LOSSES

	CONSOLIDATED 30 JUNE 2005	CONSOLIDATED 30 JUNE 2004
	\$	\$
Accumulated losses at beginning of half-year	(15,220,542)	(14,399,029)
Net loss attributable to members of parent entity for half-year	(355,867)	(145,599)
Accumulated losses at end of half-year	(15,576,409)	(14,544,628)

NOTE 7: ISSUED CAPITAL

	30 JUNE 2005	31 DECEMBER 2004
	NO.	NO.
Fully paid ordinary shares	137,991,279	102,969,418
Partly paid ordinary shares (20 cents per share, partly paid to 3 cents per share)	30,296,342	30,296,342
	\$	\$
Issued capital	<u>21,573,672</u>	<u>18,496,253</u>

Holders of fully paid ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. Holders of partly paid shares are entitled to receive dividends as declared from time to time and are entitled on a show of hands to one vote per share, 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 registered in the shareholder's name.

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.

	\$	\$
Movements in ordinary share capital		
Balance at beginning of period	18,496,253	17,740,388
Ordinary Shares issued during the period	3,151,968	–
Transaction costs relating to share issues	(74,549)	–
Calls paid on partly paid ordinary Shares	–	605,927
Transaction costs relating to share call	–	(3,727)
Shares issued on exercise of options	–	153,665
Balance at end of period	<u>21,573,672</u>	<u>18,496,253</u>

NOTE 8: IMPACT OF THE ADOPTION OF AIFRS

As stated in note 1(A), these are the Consolidated Entity's first condensed consolidated interim financial statements for the part of the period covered by the first annual consolidated financial statements prepared in accordance with Australian Accounting Standards – AIFRS.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2005, the comparative information for the six months ended 30 June 2004, the financial statements for the year ended 31 December 2004 and the preparation of an opening AIFRS balance sheet at 1 January 2004 (the Consolidated Entity's date of transition). The adoption of AIFRS has not resulted in any material impact to the Consolidated Entity's Balance Sheet as at the date of the transition or on the Income Statements or Balance Sheets subsequent to that date.

NOTE 9: CONTINGENT LIABILITIES

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 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 10: SEGMENT INFORMATION

For the six months ended 30 June 2005, the Consolidated Entity operated predominantly in two geographic segments and one business segment, namely Australia and Canada and in precious mineral exploration. A corporate head office in Australia supports these operations. The Consolidated Entity's assets comprise cash held in Australia and exploration tenements, which includes an exploration project in Canada.

	AUSTRALIA		CANADA		ELIMINATIONS		CONSOLIDATED	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Segment revenue	25,784	37,241	5	-	-	-	25,789	37,241
Segment result								
Net Loss before tax	(343,662)	(138,354)	(12,205)	(7,245)	-	-	(355,867)	(145,599)
Income tax	-	-	-	-	-	-	-	-
Net Loss	(343,662)	(138,354)	(12,205)	(7,245)	-	-	(355,867)	(145,599)
Depreciation	1,143	1,822	590	117	-	-	1,733	1,939
Segment Assets	6,183,305	3,233,996	1,905,322	695,388	(1,739,376)	(606,851)	6,349,251	3,322,533
Segment Liabilities	160,619	27,886	1,930,745	705,738	(1,739,376)	(606,851)	351,988	126,773

NOTE 11: EVENTS SUBSEQUENT TO BALANCE DATE

No events have occurred subsequent to balance date which have affected or which may materially affect these financial statements.

DIRECTORS' DECLARATION

In the opinion of the directors of Atlantic Gold NL ("the Company"):

- i. the financial statements and notes set out on pages 7 to 18 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2005 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- ii. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

This financial report of the Company for the six months ended 30 June 2005 was authorised for issuance as of the date of this declaration.



W R Bucknell
Director

Sydney, 8 September 2005

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ATLANTIC GOLD NL

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim income statement, balance sheet, changes in equity, cash flows, accompanying notes to the financial statements, and the directors' declaration for the Atlantic Gold NL Consolidated Entity ("the Consolidated Entity"), for the half-year ended 30 June 2005. The Consolidated Entity comprises Atlantic Gold NL ("the Company") and the entities it controlled during that half-year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under Australian Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*.

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.


Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Atlantic Gold NL is not in accordance with:

- a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2005 and of its performance for the half-year ended on that date; and
 - ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.



KPMG



Trent van Veen
Partner

Sydney
8 September 2005