



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

**FINANCIAL REPORT**  
**FOR THE SIX MONTHS ENDED**  
**30 JUNE 2007**

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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 2006 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 2007 and the auditor's review report opinion thereon.

### **DIRECTORS**

The names of directors who held office during or since the end of the six months ended 30 June 2007 are Mr Ronald J Hawkes, Mr Walter R Bucknell and Mr Robert H N Symons. Messrs Hawkes and Bucknell were appointed on 18 January 1999 and Mr Symons was appointed on 31 December 2005.

### **REVIEW OF OPERATIONS**

#### **TOUQUOY GOLD PROJECT, NOVA SCOTIA, CANADA (Atlantic Gold 60%, may earn up to 75% outside known resource)**

The Project is located in central Nova Scotia approximately 100km by sealed road from Halifax.

An Engineering and Cost Study of the Touquoy Gold Project was completed by study manager Ausenco Limited in May 2007 based on a new 1.5 Mtpa processing plant. Financial modelling based on this study and existing Measured and Indicated Resources indicates this project is viable at current gold prices. However, the project economics would improve significantly with conversion of 80,000 ounces of Inferred Resources into Measured and Indicated Resources and acquisition of a used plant. A suitable, available and appropriately sized plant which will provide at least 75% of the processing requirements has now been identified. Detailed inspections and preliminary negotiations are currently in progress. Early indications are that capital costs can be reduced from C\$85 million to less than C\$70 million.

Upgrade of the existing in-pit Inferred Resources to Measured and Indicated Resources will require a further 90 diamond drillholes for 6,000 m and subject to financing is expected to be completed by year-end.

While capital and operating costs estimates continue to be refined and revised, indications are that taking into account the current gold price, acquisition of the used plant, associated engineering and construction modifications being considered, and conversion of existing Inferred Resources to Indicated and Measured Resources, it remains reasonable to suggest that the Feasibility Study will forecast Atlantic Gold's target internal rate of return for the Project of over 30%.

Plans to secure funding for the used plant acquisition and infill drilling program are currently being finalised and Atlantic Gold expects to be in a position to announce these plans in the near future.

#### **Permitting**

As previously reported, the formal Environmental Assessment Registration document (EARD) for the Project was submitted last quarter and the Minister of the Nova Scotia Department of Environment and Labour (NSEL) subsequently determined that *"a review of the information indicates that the adverse effects or significant environmental effects which may be caused by the undertaking are limited and that a focus report is required."*

This Focus Report is currently in preparation and is expected to be completed and submitted in September 2007. The prescribed lead-time for the Minister's decision in respect of Environmental Approval (in consideration of the Focus Report) aggregates 81 days from submission of the Focus Report. This period includes 30 days for public submissions.

Although not formally required, Atlantic Gold continues an active liaison program to apprise all levels of government, interested NGO's and the community about all aspects of the Project.

## **COCHRANE HILL**

**(Atlantic Gold may earn either 60% or 80% depending on co-venturer's election following Atlantic Gold's earn-in expenditure)**

On 31 May 2007 Atlantic Gold entered into an option agreement with TSX-listed Scorpio Mining Corporation (SMC) in relation to SMC's Cochrane Hill advanced gold exploration property located 80 km east of Atlantic Gold's Touquoy Gold Project. Acquisition of a controlling interest in this advanced prospect, with its demonstrable upside, represents a significant step forward in Atlantic Gold's strategy to develop a commercially viable, environmentally sustainable and socially acceptable gold mining industry in Nova Scotia.

On 27 July 2007 Atlantic Gold announced a substantially upgraded mineral resource estimate for Cochrane Hill of 4.7 million tonnes of ore at a grade of 2.5 g/t for 373,000 contained ounces of gold. This substantially upgraded mineral resource estimate by resource specialist Hellman & Schofield Pty Ltd comes after the adoption of an open pit model and the use of a lower cut-off grade of 1 g/t.

## **REGIONAL EXPLORATION**

In addition to these projects, Atlantic Gold holds more than 500 square kilometres of mineral rights, which cover more than a dozen substantial gold occurrences. During the year Atlantic Gold announced encouraging exploration results at Touquoy West (17.3 grams per tonne over 1 metre and 2.6 grams per tonne over 8 metres) and the Caribou Joint Venture (3.8 grams per tonne over 4 metres) but the availability of funds, and the priority to develop the Touquoy Gold Project have determined a very slow pace for these efforts.

## **TOTAL NOVA SCOTIA RESOURCES**

The revised resource of 373,000 ounces of contained gold for Cochrane Hill combined with the resource of 653,500 ounces of contained gold for the Touquoy Gold Project lifts the total gold resources controlled by the company in the Touquoy district to 1,026,500 ounces contained gold.

## **CORPORATE**

### **FUND RAISING**

During the period Atlantic Gold raised a total of \$0.6 million (after costs) from a 2 cent call on its partly paid shares.

As announced on 3 July 2007 a private investment group has provided a loan of \$1.0 million to Atlantic Gold. Under the terms of this loan any amount outstanding as at 26 December 2007 is repayable in cash or shares at Atlantic Gold's election. The lender has received options to acquire up to 2.5 million ordinary shares at an exercise price of \$0.15 expiring at the earlier of repayment of all loans outstanding from this private investment group, or December 2009.

### **SUBSEQUENT EVENT**

#### **KOOKYNIE JOINT VENTURE, Western Australia (Atlantic Gold 50%)**

On 4th September 2007 Atlantic Gold announced that it had exchanged a letter of intent with Barmenco Investments Pty Ltd and Kookynie Resources Pty Ltd ("Kookynie Partnership") for the Kookynie Partnership to acquire an option to purchase Atlantic Gold's interest in tenements M40/3, M40/8, M40/101, M40/110 and P40/989 ("Kookynie Tenements"). Under the proposed terms of the option Kookynie Partnership will pay Atlantic Gold \$50,000 on the first anniversary of signing the agreement, a further \$50,000 on the second anniversary of the agreement and \$500,000 on the earlier of a decision to mine or the third anniversary of the agreement. A production royalty of 1.5% is payable to Atlantic Gold after production of the first 5,000 ounces.

In the event that Kookynie Partnership does not exercise its option to purchase Atlantic Gold's 50% interest in the Kookynie tenements then ownership will revert to Atlantic Gold holding 50% equity and the Kookynie Partnership holding 50% equity with Atlantic Gold being manager of the joint venture, as previously.

**LEAD AUDITOR'S INDEPENDENCE DECLARATION**

under section 307C of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half year ended 30 June 2007.

Signed at Sydney this 5th day of September 2007 in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'W R Bucknell', written in a cursive style.

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 six months ended 30 June 2007, there have been:

- (i) no contraventions of the auditor's 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



Anthony Jones  
Partner

Sydney  
5th September 2007

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2007

	NOTE	CONSOLIDATED 30 JUNE 2007 \$	CONSOLIDATED 30 JUNE 2006 \$
Net financial income and expense	3	(86,719)	15,177
Gain/(loss) on sale of assets		(28,672)	594,878
Exploration expenditure written off		(318,652)	(129,246)
General and administrative expenses	2	(255,096)	(316,866)
<b>Profit/(loss) before tax</b>		<b>(689,139)</b>	<b>163,943</b>
Income tax expense		–	–
<b>Net profit/(loss)</b>		<b>(689,139)</b>	<b>163,943</b>
Basic earnings/(loss) per share (cents per share)	4	(0.3)	0.1
Diluted earnings/(loss) per share (cents per share)	4	(0.3)	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 2007

	NOTE	CONSOLIDATED 30 JUNE 2007 \$	CONSOLIDATED 31 DECEMBER 2006 \$
<b>Current assets</b>			
Cash and cash equivalents		1,440,588	2,412,795
Trade and other receivables		257,943	151,145
Other current assets		287,418	222,754
<b>Total current assets</b>		<b>1,985,949</b>	<b>2,786,694</b>
<b>Non-current assets</b>			
Other financial assets	5	316,800	584,100
Property, plant and equipment		142,584	138,812
Exploration and evaluation expenditure		8,636,681	6,831,577
<b>Total non-current assets</b>		<b>9,096,065</b>	<b>7,554,489</b>
<b>TOTAL ASSETS</b>		<b>11,082,014</b>	<b>10,341,183</b>
<b>Current liabilities</b>			
Trade and other payables		269,591	404,605
Loan and borrowings		2,965,670	1,984,008
Employee benefits		36,708	38,100
<b>Total current liabilities</b>		<b>3,271,969</b>	<b>2,426,713</b>
<b>Non-current liabilities</b>			
Employee benefits		25,600	29,400
<b>Total non-current liabilities</b>		<b>25,600</b>	<b>29,400</b>
<b>TOTAL LIABILITIES</b>		<b>3,297,569</b>	<b>2,456,113</b>
<b>NET ASSETS</b>		<b>7,784,445</b>	<b>7,885,070</b>
<b>Equity</b>			
Issued capital	6	25,096,648	24,509,545
Reserves	7	(216,757)	(218,168)
Accumulated losses	8	(17,095,446)	(16,406,307)
<b>TOTAL EQUITY</b>		<b>7,784,445</b>	<b>7,885,070</b>

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 2007

	CONSOLIDATED 30 JUNE 2007 \$	CONSOLIDATED 30 JUNE 2006 \$
Total equity at the beginning of the period	7,885,070	5,644,978
Foreign exchange translation differences	97,341	111,148
Change in fair value of available for sale assets	(127,300)	102,900
Profit/(loss) for the period	(689,139)	163,943
Total recognised income and expense	(719,098)	377,991
<b>Transactions with equity holders in their capacity as equity holders</b>		
Contributions of equity (net of transaction costs)	587,103	2,937,705
Directors' and employees' options vested	31,370	–
Total equity at the end of the period	7,784,445	8,960,674
Attributable to equity holders of the parent	7,784,445	8,960,674

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 2007

	CONSOLIDATED 30 JUNE 2007 \$	CONSOLIDATED 30 JUNE 2006 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(295,691)	(350,195)
Interest received	38,568	15,195
Interest paid	(121,123)	(18)
<b>Net cash used in operating activities</b>	<b>(378,246)</b>	<b>(335,018)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(5,252)	–
Payments for development expenditure	(1,873,215)	(510,521)
Payments for exploration and evaluation expenditure	(370,906)	(544,102)
Proceeds from sale of assets	111,328	256,181
<b>Net cash used in investing activities</b>	<b>(2,138,045)</b>	<b>(798,442)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share issues	588,728	2,972,901
Share issue costs	(1,627)	(35,196)
Proceeds from borrowings	1,000,000	–
Prepayment of interest	(45,339)	–
<b>Net cash provided by financing activities</b>	<b>1,541,762</b>	<b>2,937,705</b>
<b>Net (decrease)/ increase in cash held</b>	<b>(974,529)</b>	<b>1,804,245</b>
Cash at beginning of period	2,412,795	675,501
<b>Effect of exchange rate fluctuations on cash held</b>	<b>2,322</b>	<b>4,018</b>
<b>Cash at end of period</b>	<b>1,440,588</b>	<b>2,483,764</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Atlantic Gold NL ("Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interests in associates and jointly controlled entities.

The consolidated annual financial report of the consolidated entity as at and for the year ended 31 December 2006 is available upon request from the Company's registered office at Suite 701 220 Pacific Highway Crows Nest NSW 2065 or from the Company's web site [www.atlanticgold.com.au](http://www.atlanticgold.com.au).

#### a. Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The condensed consolidated interim financial report of the consolidated entity also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 31 December 2006.

#### b. Basis of preparation

The accounting policies applied by the consolidated entity in this condensed consolidated financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 31 December 2006.

**NOTE 2: LOSS FROM ORDINARY ACTIVITIES**

	CONSOLIDATED	
	30 JUNE 2007	30 JUNE 2006
	\$	\$
Individually significant items included in profit/(loss) before income tax expense		
General and administrative expenses		
Administrative costs	114,726	92,582
Depreciation and amortisation expense	4,379	4,403
Employee and Director benefits expense	93,626	156,783
Occupancy expense	17,939	17,939
Other	24,426	45,159
	<u>255,096</u>	<u>316,866</u>

**NOTE 3: FINANCIAL INCOME AND EXPENSES**

Interest income	38,566	15,195
Finance expenses	(125,285)	(18)
Net financial (expense)/ income	<u>(86,719)</u>	<u>15,177</u>

**NOTE 4: EARNINGS / (LOSS) PER SHARE**

Basic and diluted earnings/(loss) per share (cents per share)	<u>(0.3)</u>	<u>0.1</u>
	NUMBER OF SHARES	NUMBER OF SHARES
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings / (loss) per share	<u>191,966,185</u>	<u>168,287,621</u>

**NOTE 5: OTHER FINANCIAL ASSETS**

	30 JUNE 2007	31 DECEMBER 2006
	\$	\$
Investment in listed entity at fair value	<u>316,800</u>	<u>584,100</u>

## NOTE 6: ISSUED CAPITAL

	CONSOLIDATED	
	30 JUNE 2007	31 DECEMBER 2006
	\$	\$
161,686,638 (Dec 2006: 161,716,670) fully paid ordinary shares	22,386,661	22,385,411
30,286,342 (Dec 2006: 30,286,342) partly paid ordinary shares	2,709,987	2,124,134
	<u>25,096,648</u>	<u>24,509,545</u>
<b>Movements in ordinary share capital</b>		
Balance at beginning of period	24,509,545	24,511,378
<b>Shares issued</b>		
– 23,892 shares at 12 cents per share on exercise of options	2,867	2,335
– 40,000 shares at 15 cents per share on exercise of options	–	6,000
– call of 2 cents per share in respect of 30,286,342 20 cent shares now partly paid to 9 cents	585,853	–
<b>Less:</b>		
– Costs of issues	(1,617)	(10,168)
	<u>25,096,648</u>	<u>24,509,545</u>

## NOTE 7: RESERVES

Foreign currency translation reserve:		
Balance at beginning of the period	(138,284)	314,891
Current period foreign exchange translation differences	97,341	(453,175)
Balance of end of the period	<u>(40,943)</u>	<u>(138,284)</u>
Fair value investment reserve:		
Balance at beginning of the period	(123,400)	102,900
Current period fair value adjustment	(127,300)	(226,300)
Balance of end of the period	<u>(250,700)</u>	<u>(123,400)</u>
Directors' and employees' options reserve:		
Balance at beginning of the period	43,516	–
Current period	31,370	43,516
Balance of end of the period	<u>74,886</u>	<u>43,516</u>
Total reserves	<u>(216,757)</u>	<u>(218,168)</u>

## NOTE 8: ACCUMULATED LOSSES

	30 JUNE 2007 \$	30 JUNE 2006 \$
Accumulated losses at beginning of the period	(16,406,307)	(16,132,437)
Net profit/(loss)	(689,139)	163,943
Accumulated losses at end of the period	<u>(17,095,446)</u>	<u>(15,968,494)</u>

## NOTE 9: SEGMENT INFORMATION

	AUSTRALIA		CANADA		CONSOLIDATED	
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
Segment Result						
Profit/(loss) before tax	(452,798)	268,743	(236,341)	(104,800)	(689,139)	163,943
Income Tax	-	-	-	-	-	-
Net profit/(loss)	<u>(452,798)</u>	<u>268,743</u>	<u>(236,341)</u>	<u>(104,800)</u>	<u>(689,139)</u>	<u>163,943</u>

## NOTE 10: 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 11: EVENTS SUBSEQUENT TO BALANCE DATE

On 4th September 2007 Atlantic Gold announced that it had exchanged a letter of intent with Barmenco Investments Pty Ltd and Kookynie Resources Pty Ltd ("Kookynie Partnership") for the Kookynie Partnership to acquire an option to purchase Atlantic Gold's interest in tenements M40/3, M40/8, M40/101, M40/110 and P40/989 ("Kookynie Tenements"). Under the proposed terms of the option Kookynie Partnership will pay Atlantic Gold \$50,000 on the first anniversary of signing the agreement, a further \$50,000 on the second anniversary of the agreement and \$500,000 on the earlier of a decision to mine or the third anniversary of the agreement. A production royalty of 1.5% is payable to Atlantic Gold after production of the first 5,000 ounces.

In the event that Kookynie Partnership does not exercise its option to purchase Atlantic Gold's 50% interest in the Kookynie tenements then ownership will revert to Atlantic Gold holding 50% equity and the Kookynie Partnership holding 50% equity with Atlantic Gold being manager of the joint venture, as previously reported.

No other events have occurred subsequent to balance date which has 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 14 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 2007 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 2007 was authorised for issuance as of the date of this declaration.



W R Bucknell  
Director

Sydney, 5th September 2007

# INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ATLANTIC GOLD NL

## Report on the financial report

We have reviewed the accompanying interim financial report of Atlantic Gold NL, which comprises the consolidated interim condensed balance sheet as at 30 June 2007, condensed income statement, statement of changes in equity and cash flow statement for the period ended on that date, the accompanying notes 1 to 11 for the financial statements and the directors' declaration set out on page 20 of Atlantic Gold NL Consolidated Entity ("the Consolidated Entity") comprising Atlantic Gold NL ("the Company") and the entities it controlled at the interim period's end or from time to time during the interim period.

### DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim 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.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Atlantic Gold NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 2007 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

Anthony Jones  
Partner

Sydney  
5th September 2007