



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

FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
30 JUNE 2008

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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 2007 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 2008 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 2008 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 100 km by sealed road from Halifax.

The crucial Environmental Assessment Approval was received for the Project in February 2008. An application for Industrial Approval was submitted in July to the Nova Scotia Department of Environment, which addresses further detail relating to surface and groundwater quality, management of air quality, protection and compensation for disturbance of terrestrial and aquatic habitat, site operations and reclamation, emergency management and community liaison. In addition, an application for a Mining Lease was also submitted in July 2008 to the Nova Scotia Department of Natural Resources.

Receipt of Industrial Approval and grant of the Mining Lease will complete regulatory permitting necessary to commence site development. Acquisition of surface lands is also required, and the necessary fundraising is presently in progress.

Project Feasibility

Ausenco Canada Ltd has been engaged to undertake the process engineering for construction of the treatment plant once appropriate used plant has been secured. This will enable completion of the Touquoy Feasibility Study. As previously reported used plant has been identified, acquisition of which is subject to suitable financing.

Projected key attributes applicable to the Touquoy Project on 100% basis are as follows:

Initial mine life	years	6
Plant throughput	mtpa	1.5 – 2.0
Grade	g/t	1.4
Total production	ounces	450,000
Waste:ore ratio		2:1
Cash operating cost	C\$/oz (=US\$/oz)	435
Gold price for pit optimisation	C\$/oz (=US\$/oz)	850
Gold price received	C\$/oz (=US\$/oz)	900
Initial capital (used gravity/CIL) plant)	C\$M (=US\$M)	70
Capital payback	years	2.5
Net cash flow before tax	C\$M (=US\$M)	132
8% NPV before tax (ungeared)	C\$M (=US\$M)	80
IRR before tax (ungeared)		37%

Notes:

- 100% basis
- Plant throughput assumes start-up at 1.5mtpa increasing to 2.0mtpa.
- Assumes the remaining Inferred Resources, representing 15% of the total resource, are converted (as fully expected, based on experience) to Measured and Indicated Resources during the life of mine.
- No Ore Reserves are presently implied by this study. Ore Reserve estimates will be determined upon completion of the Feasibility Study and receipt of all government approvals to mine.

COCHRANE HILL

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

The Cochrane Hill Gold Project is located 80 km east of the Touquoy Gold Project.

The current resource estimate for Cochrane Hill, announced in June 2008, is 547,000 contained ounces of gold, and reflects a substantial increase compared to the previous estimate of 373,000 ounces of gold.

This new resource estimate is based on additional gold data sourced from sampling and assaying of an aggregate 3100 m of previously un-assayed intervals of historic (1970s and 1980s) diamond drill core recovered from storage. (These intervals of drill core within the mineralised resource envelope had not been previously assayed and had been ascribed zero grade for the purposes of resource estimation.)

Excellent results have since been received from the first stage resource delineation drilling with shallow open pittable mineralisation intersected over substantial widths – up to 31 m @ 2.43 g/t from 19 m depth. These results are a further step towards confirmation that the Cochrane Hill gold deposit, developed in synergy with Touquoy, will be commercially viable with real potential for over 800,000 ounces of gold to be produced from these two deposits.

TOTAL NOVA SCOTIA RESOURCES

The revised resource of 547,000 ounces of contained gold for Cochrane Hill combined with the resource of 656,000 ounces of contained gold for the Touquoy Gold Project lifts the total gold resources controlled by the company in the Touquoy district to 1,203,000 ounces contained gold.

REGIONAL EXPLORATION

Atlantic Gold continues to pursue an extensive and innovative near-mine and regional exploration program in order to identify additional reserves. Atlantic Gold currently holds mineral rights and options over approximately 400 square kilometres of prospective gold properties in Nova Scotia.

CORPORATE

With permitting application documentation submitted and progress towards acquisition of plant and surface land titles, project funding is now the critical factor in bringing the Touquoy Gold Project into development, and Cochrane Hill to pre-feasibility status.

In June 2008 Atlantic Gold issued to shareholders 21.7 million bonus options exercisable at 18 cents on or before 30 October 2009. If all options are exercised the offer will raise approximately \$3.9 million.

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 2008.

Signed at Sydney this 12th day of September 2008 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 six months ended 30 June 2008, 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
12th September 2008

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2008

	NOTE	CONSOLIDATED 30 JUNE 2008 \$	CONSOLIDATED 30 JUNE 2007 \$
Financial income		87,796	38,566
Financial expenses		(216,928)	(125,285)
Net financial income and expense		(129,132)	(86,719)
Gain/(loss) on sale of property, plant and equipment		–	(28,672)
Impairment of investments		(496,220)	–
Impairment of exploration assets		(145,566)	(318,652)
General and administrative expenses	2	(330,846)	(255,096)
Profit/(loss) before tax		(1,101,764)	(689,139)
Income tax expense		–	–
Net profit/(loss) for the period		(1,101,764)	(689,139)
Attributable to equity holders of the company		(1,101,764)	(689,139)
Basic and diluted earnings/(loss) per share (cents per share)	3	(0.5)	(0.3)

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

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2008

	NOTE	CONSOLIDATED 30 JUNE 2008 \$	CONSOLIDATED 31 DECEMBER 2007 \$
Current assets			
Cash and cash equivalents		1,408,997	3,497,289
Trade and other receivables		184,319	336,639
Other current assets		212,469	170,539
Total current assets		1,805,785	4,004,467
Non-current assets			
Other financial assets	4	71,280	126,720
Property, plant and equipment	5	355,647	188,603
Exploration and evaluation assets – intangibles		11,303,736	10,426,155
Total non-current assets		11,730,663	10,741,478
TOTAL ASSETS		13,536,448	14,745,945
Current liabilities			
Trade and other payables		355,497	234,443
Loan and borrowings	6	1,205,418	1,114,927
Employee benefits		52,220	50,322
Total current liabilities		1,613,135	1,399,692
Non-current liabilities			
Employee benefits		57,200	27,400
Total non-current liabilities		57,200	27,400
TOTAL LIABILITIES		1,670,335	1,427,092
NET ASSETS		11,866,113	13,318,853
Equity			
Share capital	7	31,160,130	31,150,872
Reserves		(233,660)	126,574
Accumulated losses		(19,060,357)	(17,958,593)
TOTAL EQUITY		11,866,113	13,318,853

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

2008	SHARE CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	OPTIONS RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance 1 January 2008	31,150,872	211,933	(440,780)	355,421	(17,958,593)	13,318,853
Foreign currency translation differences		(806,708)				(806,708)
Change in fair value of available for sale assets			(55,440)			(55,440)
Directors' and employees' options vested				5,694		5,694
Total income and expenses recognised directly in equity		(806,708)	(55,440)	5,694		(856,454)
Transfer of fair value reserve to the income statement			496,220			496,220
Profit/(loss) for the period					(1,101,764)	(1,101,764)
Total recognised income and expenses		(806,708)	440,780	5,694	(1,101,764)	(1,461,998)
Share options exercised	9,258					9,258
Balance 30 June 2008	31,160,130	(594,775)	–	361,115	(19,060,357)	11,866,113
2007	SHARE CAPITAL	FOREIGN CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	OPTIONS RESERVE	RETAINED EARNINGS	TOTAL EQUITY
Balance 1 January 2007	24,509,545	(138,284)	(123,400)	43,516	(16,406,307)	7,885,070
Foreign currency translation differences		97,341				97,341
Change in fair value of available for sale assets			(127,300)			(127,300)
Directors' and employees' options vested				31,370		31,370
Total income and expenses recognised directly in equity		97,341	(127,300)	31,370		1,411
Profit/(loss) for the period					(689,139)	(689,139)
Total recognised income and expenses		97,341	(127,300)	31,370	(689,139)	(687,728)
Share options exercised	2,867					2,867
Call on partly paid shares	585,853					585,853
Costs of share issues	(1,617)					(1,617)
Balance 30 June 2007	25,096,648	(40,943)	(250,700)	74,886	(17,095,446)	7,784,445

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 2008

	CONSOLIDATED 30 JUNE 2008 \$	CONSOLIDATED 30 JUNE 2007 \$
Cash flows from operating activities		
Payments to suppliers and employees	(336,541)	(295,691)
Interest received	87,761	38,568
Interest paid	(97,043)	(121,123)
Net cash used in operating activities	<u>(345,823)</u>	<u>(378,246)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(192,190)	(5,252)
Payments for exploration and evaluation expenditure	(1,553,835)	(2,244,121)
Proceeds from sale of assets	–	111,328
Net cash used in investing activities	<u>(1,746,025)</u>	<u>(2,138,045)</u>
Cash flows from financing activities		
Proceeds from share issues	9,272	588,728
Paid share issue costs	–	(1,627)
Proceeds from borrowings	–	1,000,000
Prepayment of interest	–	(45,339)
Net cash from financing activities	<u>9,272</u>	<u>1,541,762</u>
Net decrease in cash and cash equivalents	(2,082,576)	(974,529)
Cash and cash equivalents at beginning of period	3,497,289	2,412,795
Effect of exchange rate fluctuations on cash held	(5,716)	2,322
Cash and cash equivalents at end of period	<u>1,408,997</u>	<u>1,440,588</u>

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 2008 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 2007 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.

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 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 2007.

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 2007.

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 either equity raisings (including the issue of shares to existing shareholders, calling on partly paid shares or private placement of new shares) or using other asset exploitation arrangements, such as farm-out, joint venture or sale.

In the unlikely 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. Directors’ 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 interim financial report.

NOTE 2: LOSS FROM ORDINARY ACTIVITIES

	CONSOLIDATED	
	30 JUNE 2008	30 JUNE 2007
	\$	\$
Individually significant items included in profit/(loss) before income tax expense		
General and administrative expenses		
Administrative costs	179,582	114,726
Depreciation and amortisation expense	5,127	4,379
Employee and Director benefits expense	84,333	93,626
Occupancy expense	17,939	17,939
Other	43,865	24,426
	<u>330,846</u>	<u>255,096</u>

NOTE 3: EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings/(loss) per share (cents per share)

	(0.5)	(0.3)
	NUMBER OF SHARES	NUMBER OF SHARES
Weighted average number of ordinary shares outstanding during the period used in calculation of basic and diluted earnings / (loss) per share	<u>240,117,836</u>	<u>191,966,185</u>

NOTE 4: OTHER FINANCIAL ASSETS

	CONSOLIDATED	
	30 JUNE 2008	31 DECEMBER 2007
	\$	\$
Investment in listed entity at fair value	<u>71,280</u>	<u>126,720</u>

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008 Atlantic Gold purchased land at Moose River Gold Mines for CAD180,000 (AUD185,000 approximately) on the site of the proposed Touquoy Gold Mine.

NOTE 6: LOANS AND BORROWINGS

	CONSOLIDATED	
	30 JUNE 2008	31 DECEMBER 2007
	\$	\$
Unsecured loan	1,291,854	1,291,854
Unamortised option costs	(86,436)	(176,927)
	<u>1,205,418</u>	<u>1,114,927</u>

The loan may be repaid at any time without penalty. Any loan amount outstanding at 27 December 2008 will be repaid at the Company's election either in cash or by issue of the Company's shares. The lender holds 7.5 million options with a strike price of 15 cents expiring on 27 December 2009. There has been no change to the loan agreement as disclosed in the Annual Report 2007.

NOTE 7: SHARE CAPITAL

	CONSOLIDATED	
	30 JUNE 2008	31 DECEMBER 2007
	\$	\$
209,859,048 (Dec 2007: 209,781,896) fully paid ordinary shares	28,428,303	28,419,045
30,286,342 (Dec 2007: 30,286,342) partly paid ordinary shares	2,731,827	2,731,827
	31,160,130	31,150,872

NOTE 8: SEGMENT INFORMATION

for the six months ended 30 June 2008

	AUSTRALIA		CANADA		CONSOLIDATED	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Segment Result						
Profit/(loss) before tax	(958,881)	(452,798)	(142,883)	(236,341)	(1,101,764)	(689,139)
Income Tax	-	-	-	-	-	-
Net profit/(loss)	(958,881)	(452,798)	(142,883)	(236,341)	(1,101,764)	(689,139)

NOTE 9: SUBSEQUENT EVENTS

No event has occurred subsequent to the balance sheet 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 13 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 2008 and of its performance for the six months 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 2008 was authorised for issuance as of the date of this declaration.



W R Bucknell
Director

Sydney, 12th September 2008

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 condensed consolidated interim balance sheet as at 30 June 2008, condensed consolidated interim income statement, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the period ended on that date, the accompanying notes 1 to 9 for the financial statements and the directors' declaration set out on page 14 of the 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 establishing 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 Consolidated Entity's financial position as at 30 June 2008 and its performance for the interim period 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 the Corporations Act 2001, including:

- (a) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2008 and of its performance 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.

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ATLANTIC GOLD NL

Going Concern Concept

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

The interim financial report has been prepared on a going concern basis as discussed in note 1(c) which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. In note 1(c) 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, calling on partly paid shares and private placement 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.



KPMG



Anthony Jones
Partner

Sydney
12th September 2008