

31 January 2008

Australian Securities Exchange  
Company Announcements Office  
10th Floor, 20 Bridge Street  
SYDNEY NSW 2000

## **QUARTERLY REPORT FOR PERIOD ENDING 31 December 2007**

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### **HIGHLIGHTS**

#### ***TOUQUOY GOLD PROJECT***

##### **PERMITTING**

- Focus Report for Environmental Assessment submitted to Nova Scotia Department of Environment and Labour on 19 November 2007 with the Minister of Environment and Labour to announce decision on 1 February (2 February AEST).

##### **FEASIBILITY STUDY**

- Negotiations continue with respect to acquisition of a used plant appropriate for the Project.
- Initial grade control drilling program of 80 holes for 2990 m completed with final assays pending.

#### ***COCHRANE HILL GOLD PROJECT***

- High grade mineralisation intersected in shallow reconnaissance RC drilling 600 m west of the resource is validated by riffle-split 1 m sampling with **12.2 g/t over 8 m from 4 m depth and 8.5 g/t over 5 m from 17 m depth**. Assays from deeper diamond drilling pending.
- Program of assaying previously un-assayed intervals of selectively sampled historic resource delineation drillcore completed with additional 25% increase on average to grades previously applied to these holes for resource estimation.
- Eastern extension to resource flagged by return of 1.0 g/t over 10 m from 35m depth in initial step-out diamond drilling.

## **CORPORATE**

- 95% of bonus options expiring 1 November 2007 were exercised with \$1.9M raised with a further \$3.5M cash raised through share placements.
- The Company now has cash reserves of \$3.5M and debt has been reduced to \$1.3M.

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## **PROJECT DEVELOPMENT**

### ***TOUQUOY GOLD PROJECT Nova Scotia Canada***

*(Atlantic Gold 60%, may earn up to 75% outside known resources)*

## **PROJECT PERMITTING**

The Focus Report, as requested by the Nova Scotia Minister of Environment and Labour to " *examine potential impacts of the proposed Touquoy Gold Project on the recreational, wilderness, and ecological value of the Scraggy Lake, Fish River, and Moose River system and undeveloped lands lying south-west of the project site*" was completed, submitted to the Nova Scotia Department of Environment and Labour and released for public comment on 19 November 2007. The Focus Report represents a major and detailed supplement to the Environmental Assessment Registration document, submitted to the Department of Environment and Labour in March 2007.

The period for public comment closed on 24 December 2007 with some 240 submissions made, both for and against the project. The Minister's decision is expected to be handed down on 1 February 2008 (Halifax time) which will be Saturday 2 February AEST. The outcome will be released to the ASX pre-opening on Monday 4 February 2008.

Should Environmental Assessment approval be granted Atlantic Gold will continue to work with the various regulatory bodies to achieve Industrial Approval, granting of which will permit commencement of site development. Subject to conditions imposed under Environmental Assessment approval and other factors, and assuming EA approval is forthcoming, Industrial Approval may take in the order of a further six months to be granted.

Efforts to establish project financing will be advanced with canvassing of potential financiers to be undertaken in parallel with Feasibility activities.

## **FEASIBILITY STUDY**

As previously reported investigations to identify a suitable used gold processing plant have been fruitful and negotiations for acquisition continue, impeded to some extent owing in part to the uncertainty surrounding Environmental Assessment approval. A used plant is preferred to avoid the expected long lead time for delivery of a new mill and to reduce capital costs.

The grade control drilling program commenced in October 2007 has been completed with 80 holes for 2990 m drilled on 5m x 10m centres. Final assay results are expected in early February 2008 following which an assessment of grade distribution, grade control methodology and comparison with resource drilling will be made. Subject to results further grade control drilling could be required.

Achievement of these two undertakings (apart from the granting of approvals to mine) – acquisition of used plant and completion of adequate grade control drilling – will enable refinement of the previously completed Engineering and Cost Study to a Feasibility Study appropriate for project financing.

## EXPLORATION

### **COCHRANE HILL OPTION, Nova Scotia**

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

Impressive assay results previously reported from reconnaissance RC drilling on Section 2140E in the western area of the Cochrane Hill property have been validated by riffle-splitting of samples on 1m intervals, with results as follows (refer to accompanying drill section):

**6.5 g/t over 4 m from 11 m depth in hole CHRC-07-018  
12.2 g/t over 8 m from 4 m depth in hole CHRC-07-019, and  
8.5 g/t over 5 m from 17 m depth in hole CHRC-07-020.**

Cochrane Hill is an advanced gold exploration property located 80 km east of Atlantic Gold's Touquoy Gold Project (refer to accompanying plan) and is subject of an option agreement with TSX-listed Scorpio Mining Corporation (SMC).

The current total mineral resource estimate at Cochrane Hill, as previously announced, is 4.7 million tonnes @ 2.5 g/t for 373,000 contained ounces gold – as tabled below:

	Tonnes (millions)	Grade (g/t Au)	Contained Ounces
Indicated Resource	1.8	2.5	143,000
Inferred Resource	2.9	2.4	230,000
<b>TOTAL</b>	<b>4.7</b>	<b>2.5</b>	<b>373,000</b>

The resource is developed within a 20 m-wide zone of sheared and quartz-veined slates which dips 70°N and trends almost east-west over a length of about 650 m. This sheared, mineralised sequence is parallel to, and 100 m south of, the axis of the overturned Cochrane Hill anticline (refer to accompanying property plan) and has been traced as a gold geochemical anomaly for 5 km across the property by previous explorers. No previous drilling has hitherto been conducted along this mineralised shear zone beyond that central 1200 m length encompassing the identified resource.

An initial program and a follow-up program of shallow reconnaissance reverse circulation (RC) drilling comprising 82 holes for 1246 m in 14 fences have now been drilled to test this mineralised zone.

As previously reported the initial program, comprising six fences (holes CHRC-07-001 to 039) nominally spaced at 500 m intervals along the zone, returned impressive results – up to 13.4 g/t gold over 10 m from 3 m depth from hole CHRC-07-019 – on Section 2140mE based on 4 m grab composite sampling. Subsequent confirmatory re-sampling of the mineralised holes on this Section by riffle-splitting on 1 m intervals has now validated these results as follows, and as shown on the accompanying cross-section and plan:

Hole	East (m)	North (m)	Dip	Grid Az	Depth (m)	Best Assays			
						From (m)	To (m)	Width (m)	Grade (g/t Au)
CHRC-07-018	2133	3074	-90	-	17	11	15	4	6.5
CHRC-07-019	2140	3073	-60	164	15	4	12	8	12.2
					incl.	4	5	1	78.5
CHRC-07-020	2139	3083	-60	164	24	17	22	5	8.5

The three reconnaissance RC fences drilled to the east of the resource – Sections 4350E, 4775E and 5200E – were barren but it appears the drill 100 m-long fences may have been too short to have traversed the zone of interest. A wider spread of reconnaissance drilling is planned here.

Follow-up of the initial RC program was conducted in the area west of the resource with completion of a further eight fences of holes (CHRC-07-040 to 08-082) nominally spaced at 100 m intervals (see accompanying plan). Assay results for 40% of this program have been returned to date. Fences on the two sections 100 m east and west of 2140E returned narrow low grade intervals (best 2.0 g/t over 1 m) within wider gold-anomalous zones, suggesting the mineralisation on Section 2140E to be part of a high grade shallow plunging shoot, or shoots, typical of this style of mineralisation. Ongoing drilling and further assay returns will quantify and elucidate the nature of this newly discovered mineralisation.

Six diamond holes (CH-07-001 to 08-006) for 405 m have been drilled – two beneath the high grade RC intersections on 2140E, two beneath mineralised RC holes on 1775E, and two testing for eastern extensions to the main resource (see accompanying plan). To date assays have been returned from the latter two holes with modest mineralisation shown to be continuing eastwards at shallow depths:

Hole	East (m)	North (m)	Dip	Grid Az	Depth (m)	Best Assays			
						From (m)	To (m)	Width (m)	Grade (g/t Au)
CH-07-001	3400	3080	-45°	180	89	35	45	10	1.01
CH-07-002	3454	3055	-45°	187	60	42	50	8	1.05

Results from assays pending will direct the nature and location of ongoing drilling.

All assay results have now been returned from the program of sampling and assaying of previously un-assayed core from selected historic diamond core drillholes from the area of the resource (4.7 million tonnes @ 2.5 g/t for 373,000 contained ounces gold). Since the original assaying during the 1970s and 1980s had been selective with un-assayed intervals having been ascribed zero grade about 3100 samples of previously un-assayed core have been submitted for gold assay. By simply “filling in the blanks” – no re-assaying of core previously assayed has been conducted – results for the holes tested to date continue to average about a 25% increase in grades to those applied in the above resource estimate. The more notable results are as follows:

Hole	North (m)	East (m)	From (m)	To (m)	Width (m)	Original Assays (with un-assayed gaps)	New Assays (gaps infilled)
						Grade (g/t)**	Grade (g/t)**
CH-74-029*	3059	3199	12.95	35.00	22.05	0.91	1.18
CH-74-034*	3110	2782	60.50	68.00	7.50	2.96	3.26
CH-74-004*	3138	3071	102.10	137.05	34.95	1.65	1.87
CH-81-050*	3122	3177	92.05	98.15	6.10	3.05	5.29
		and	108.00	141.60	33.60	7.25	7.74
CH-74-026*	3063	3214	8.00	38.4	30.40	1.23	1.84
CH-81-061*	3130	3289	149.20	156.20	7.00	36.8	38.2
CH-74-002*	3097	3018	69.10	99.05	29.95	3.74	4.43
CH-74-031*	3149	3129	121.45	135.65	14.20	0.59	2.17
CH-74-024*	3122	3167	89.45	110.35	20.90	0.72	0.84
CH-74-023*	3122	3230	72.85	105.00	32.15	2.08	2.79
CH-74-039*	3086	3053	53.80	75.13	21.33	0.00	1.10
CH-81-049*	3110	3201	73.76	111.00	37.24	1.70	1.83
CH-74-030*	3060	3192	11.75	35.00	23.25	0.99	1.38
CH-74-028*	3061	3207	12.35	37.00	24.65	1.64	1.79
CH-81-047*	3129	2971	115.50	124.51	9.00	0.11	1.42
		and	140.05	155.15	15.10	2.04	2.40
CH-81-059*	3144	3076	128.45	166.75	38.30	2.44	2.98
CH-74-040	3229	3173	185.01	194.08	9.07	0.00	1.95
CH-81-052	3124	3233	82.00	134.00	52.00	0.53	0.95

\* Results for these holes previously announced.

\*\* Based on 0.6 g/t grade cut-off, no top cut and maximum 5 m internal dilution.

A revision of the resource estimate is not planned at this time but will be undertaken on completion of additional resource delineation drilling planned for later in 2008.

The nature of the Cochrane Hill mineralisation confirms Atlantic Gold’s belief that this district is highly prospective for bulk-mineable gold reserves similar to that at Touquoy. Acquisition of a controlling interest in this advanced prospect, with its demonstrable upside, represents a significant forward step in Atlantic’s strategy to develop a commercially viable, environmentally sustainable and socially acceptable gold mining industry in Nova Scotia. Atlantic looks forward to advancing this property to production.

Under the terms of the agreement with SMC, once Atlantic Gold (through its wholly-owned Canadian subsidiary) has completed expenditure of C\$4.75 million on exploration and development within 4 years, conditionally extendable for a further 2 years, and has made aggregate cash payments of C\$100,000 to SMC,

then at SMC's election Atlantic will have earned either a 60% Joint Venture interest (with SMC retaining a 40% contributing Joint Venture interest) or 100% interest subject to a 20% free carried interest retained by SMC. Atlantic may withdraw at any time. The property is subject to an underlying 3% production royalty in favour of a third party. The Cochrane Hill property comprises 53 mineral claims (8.3 km<sup>2</sup>).

#### ***OTHER PROJECTS, Nova Scotia***

No material advances are reported for the Caribou Joint Venture property, or other wholly-owned or optioned exploration properties elsewhere in Nova Scotia.

#### **CORPORATE**

During the Quarter funds totaling \$5.4 million were raised from exercise of options expiring 1 November 2007 (\$1.9 million) and share placements (\$3.5 million).

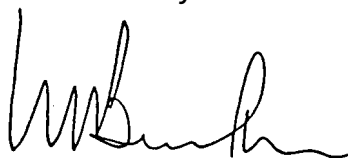
The Company had on issue 16.4 million listed options with an exercise price of \$0.12 per fully paid ordinary share expiring 1 November 2007. This issue was strongly supported by option holders with a total of 15.6 million options exercised to raise a total of \$1.9 million. The support of the option holders is much appreciated by the Company.

Share placements totaling 32.4 million fully paid ordinary shares to raise \$4.2 million (\$3.5 million in cash and \$0.7 million in repayment of borrowings) were finalised during the quarter. Issue of 19.1 million fully paid ordinary shares to raise \$2.5 million was subject to shareholder approval which was obtained at a meeting of shareholders on 23 November 2007.

Debt repayments during the Quarter of \$1.7 million reduced Atlantic Gold's borrowings from \$3 million to \$1.3 million at the end of the Quarter. Debts repayment consisted of \$1 million in cash and \$0.7 million by way of issue of 5.4 million fully paid ordinary shares.

At the end of the Quarter Atlantic Gold had \$3.5 million in cash reserves which is to be applied to progress the Cochrane Hill and Touquoy Gold Projects and fund working capital.

Yours faithfully



**W R Bucknell**

This report and accompanying plans will be posted on the Company's website, [www.atlanticgold.com.au](http://www.atlanticgold.com.au) following its release to the Australian Stock Exchange.

**Attribution:** The geological and sampling information in this report relating to Mineral Resources has been compiled by W R Bucknell who is a director of Atlantic Gold, a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person in respect of the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

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## **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 Moz 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 7 year minimum mine life to produce approximately 90,000 ounces gold per year. Atlantic Gold has earned 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 recent 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.













