Atlantic Gold

Annual Report **2011**

Contents

Atlantic Gold

ABN 82 062 091 909

Annual Report 2011

Chairman's review

Yes, there is good news and really good news. The good news is that Atlantic Gold has succeeded in clearing all the hurdles required to complete the vesting order to acquire the surface titles it does not presently own at Touquoy. The Minister of Natural Resources and the government of the Province of Nova Scotia have acted on the company's submission and we believe are very close to finalising their decision on vesting the remaining titles to Atlantic Gold. We are optimistic that we shall receive the final word on this from the government by the time of our AGM in late May.

The really good news is that gold has again increased in value over the previous year. At present, the gold price is in the range of $US1660 per ounce whereas a year ago it was $US1380 per ounce. Our recent February announcement updating the Definitive Feasibility Study incorporated current cost and revenue estimates and revealed that the project would benefit from a cash operating cost of $597/oz by providing a payback period of 18 months after the first gold pour, a net cash surplus (pre-tax) of $337 million and an internal rate of return of 52.5%. The numbers are certainly attractive.

The company is on track to acquire 100% of Cochrane Hill which our studies have estimated will recover 450,000 ounces of gold in addition to those recovered from Touquoy. Together with Touquoy, the conceptual outcomes for Touquoy–Cochrane Hill result in a net cash surplus pre-tax of $721 million and a combined NPV (at 8%, pre-tax) of $371 million.

We continue to receive encouragement from the Minister of Natural Resources, his officials and the Premier of the Province. At the Fourth Session of 61st General Assembly Speech from the Throne on 29 March 2012 the government said:

> Mining is an important job creator in Nova Scotia. New gold and coal projects are moving towards production, and the interest in exploration for rare-earth metals is increasing. My government will move forward with a new mineral incentive program, fulfilling a commitment in the new natural resources strategy to provide financial assistance to prospectors to attract exploration and development.

In particular, Atlantic Gold has received encouragement and a strongly expressed interest in the 300 construction jobs and 150 ongoing mine site jobs at Touquoy. Unemployment in this rural area is in the order of 20%.

Once we have completed the surface title acquisitions, and have been granted Industrial Approval, we can firm up debt and equity financing. The company has continued its discussion with several debt providers and alternative source financiers. Very strong interest in supporting the Touquoy Gold project development has been encountered.

While commercial grades of gold have not yet been intersected from our regional exploration programs in Nova Scotia, we have been encouraged with the discovery of low grade gold intersections and alteration characteristics in alignment with the Touquoy shale-hosted disseminated gold model we have developed as a result of the knowledge gained in our 8 years in Nova Scotia. The company presently holds approximately 1000 square kilometres of prospective mineral exploration tenements identified by our exploration team. Some projects are wholly owned, some are optioned gold occurrences.

I wish to express the company's appreciation and thanks to its employees, contractors, consultants and the various government departments with whom we have been involved this year. Very special thanks are owed Wally Bucknell for his untiring hard work during the year. Once again this year, our shareholders have supported our activities by providing the funds we have required to get closer to developing Touquoy and to exploring for new deposits. We thank all shareholders who have been supportive of our Nova Scotian efforts.

We look forward to a very successful 2012.

Ronald J Hawkes
Chairman
30 March 2012

Review of projects

Touquoy Gold Project // Nova Scotia Canada

2011 ACHIEVEMENTS

- **Mineral Lease granted**
- **Updated Definitive Feasibility Study confirms robust project viability**
- **Last stage of surface title acquisition program, with application for vesting order submitted**
- **Site works commence with dismantling or relocation of buildings**

Final permitting

Environmental Assessment Approval, the critical permit, has previously been granted for Touquoy and remains in effect. Mining Lease ML-11-1 was granted in August 2011. Industrial Approval application will be submitted to Nova Scotia Environment once all surface land titles have been secured, as prescribed.

Definitive Feasibility Study

The Company has recently updated the Definitive Feasibility Study ("DFS") for the Touquoy Gold Project, originally completed in July 2010. The updated DFS re-affirms the strong viability of the Touquoy Gold Project as a significant development opportunity. The DFS has been updated to include current costs and revenues, where they have changed since the original DFS. All inputs relating to ore reserves, pit design, mining plan, processing and site infrastructure are unchanged from the original 2010 DFS. The DFS update has been undertaken in association with Merit Engineers Pty Ltd, Ausenco Limited, Australian Mine Design and Development Pty Ltd and Gemell Mining Engineers, all of these parties having been similarly involved with generation of the original DFS.

The updated DFS re-affirms the strong viability of the Touquoy Gold Project as a significant development opportunity.

As 100% of the Touquoy cashflows will be available to service project debt the summary DFS results are reported below on 100% basis (refer to box for ownership details).

Details of the Definitive Feasibility Study

1 Mining

The pit is to be developed in two stages with a cutback to the final pit limits in Year 3. The final pit will be 760 m long x 400 m wide with a maximum depth of 140 m. Waste-to-ore ratio over life-of-mine is 2.6:1 Mining is planned to be carried out using a leased, owner-operated fleet of eight 91-tonne payload trucks and two 110-tonne excavators at a projected daily rate of approximately 15,000 tonnes of ore and waste.

2 Processing

Design, operation and estimation of capital and operating costs of the Touquoy processing plant have been developed by Ausenco Limited, and based on comprehensive comminution and metallurgical investigations previously undertaken by Orway Mineral Consultants (WA) Pty Ltd, SGS Lakefield Research Limited, Peter Lewis & Associates and Ammtec Limited.

The processing plant is designed to treat free milling gold ore at a rate of 2.0 million tonnes per annum using conventional technology. Free gold is recovered using gravity concentration

Table 1: Summary results of the Definitive Feasibility Study

Ore reserves *(unchanged)*	9.59 Mt @ 1.49 g/t for 454,000 contained ounces
Total production [1] *(unchanged)*	422,000 ounces
Annual production rate *(unchanged)*	84,000 ounces
Plant *(unchanged)*	All new 2.0 Mtpa conventional gravity/CIL plant
Mine life *(unchanged)*	5.0 years
Pre-production capital cost [2]	$140 million (nominal). Includes $10 million of working capital and $10 million reclamation bond.
Gold price	$1700/oz
Cash operating cost	$597/oz. Includes royalty payments of US$37/oz
Net cash surplus (pre-tax)	$337 million
Payback period	18 months after first gold pour
NPV (8%, pre-tax)	$206 million
Internal rate of return	52.5%

Note 1: Production excludes 26,000 ounces of in-pit Inferred Resources, and any input from the Touquoy West satellite deposits (previously reported Indicated and Inferred Resources of 2.0 Mt @ 1.5 g/t for 99,000 ounces). DFS remains based on original pit design optimised using a gold price of US$950/oz.
Note 2: The DFS is prepared in Canadian dollars. Exchange rates at parity (C$1=US$1) are used in the Study.

and intensive cyanidation, with the remaining gold recovered by cyanidation in a hybrid carbon-in-leach (CIL) process. Leach residues are detoxified before delivery to the tailings management facility. The process plant design is based on a flow sheet with unit operations that are well proven in the gold industry.

The main areas in the flow sheet include:

- three-stage crushing of run-of-mine ore
- single-stage ball milling of crushed ore to a P80 of 150 micron
- centrifugal gravity concentration of gold followed by high intensity cyanidation of the gravity concentrate
- thickening of CIL feed
- hybrid leach–CIL using one leach tank and six adsorption tanks
- desorption of precious metals from carbon using a pressure Zadra elution circuit
- destruction of cyanide in CIL tailings
- pumping of tailings to the tailings management facility for storage.
- Excess site water is treated, for arsenic removal, at a dedicated effluent treatment plant.

History

About 26,000 ounces of gold were reported to have been recovered from Moose River Gold Mines, site of the Touquoy Project, during the gold rush from 1877 to 1910. Apart from a failed attempt to re-open the mine in 1935-36, the site remained dormant from an exploration, development and production perspective for the next 75 years. Several exploration campaigns, including diamond and percussion drilling and a 57,000 tonne bulk sample, were conducted between 1986 and 2003.

Ownership

Atlantic Gold, through its wholly-owned local subsidiary DDV Gold Limited, entered into an option agreement in May 2003 with the property owners, Moose River Resources Inc (MRRI), a local private company. Atlantic Gold holds a nominal 60% interest in the **Touquoy Gold Project**. Atlantic Gold as operator and manager of the Project sole funds to production and receives 100% of cashflow until all outlays plus interest are recouped. Thereafter Atlantic Gold receives 60% of profits, and MRRI 40%. A third party holds a 3% royalty of which two-thirds can be purchased for $2.5 million. The financial considerations above are net of royalty. Upon Atlantic Gold's securing financing for project development its nominal interest in the Exploration Block – defined by 77 mineral claims outside the 12-claim Development Block which covers the known resources – increases from 60% to 75%.

Geology

The Touquoy gold deposit is a shale-hosted, disseminated gold deposit. It is located in the Meguma Group, a belt of sedimentary rocks (Cambro-Ordovician turbidites) extending about 400 km long by 80 km wide through central and southwestern Nova Scotia. Since the first gold discovery in 1861 about sixty underground gold deposits within the Meguma Group have been mined, for a recorded aggregate production of about 1.2 million ounces. The bulk of this production was prior to World War 1. The common geological setting of these many gold deposits is along the crests of anticlinal axes which were mapped over a century ago as extending throughout the length of the Meguma Group.

The Touquoy deposit is similarly located on the crest of an anticlinal axis but is fundamentally different from the many small underground quartz-vein hosted deposits mined historically because the gold mineralisation is disseminated throughout the host sediments. The very wide intersections of relatively even grade gold mineralisation, some in excess of 100 m, and the compact and shallow disposition of the deposit present the Touquoy deposit as a substantial, open-pit, bulk mining proposition with a very favourably low waste:ore ratio.

3 Infrastructure

The mine site is readily accessible by road being located at the settlement of Moose River Gold Mines 70 minutes drive along sealed roads from Halifax, the provincial capital. No on-site accommodation is necessary and with numerous vacant and usable buildings in place, additional temporary construction facilities will be relatively minimal. During operation the workforce will commute to site from nearby communities. The site is now serviced by landline telephone, broadband wireless internet and 7.2 kV single phase power.

Maximum power demand is 6MW, with annual power consumption of 42,000MWh. Connection of 25 kV grid power to site will require construction of 6km of new line and upgrade of 5 km of existing line to site from single phase to three phase power.

A positive water balance prevails at the site. Sufficient process water is therefore available by recycling from the Tailings Management Facility. The minimal fresh and potable water requirement will be sourced locally.

Site facilities will include an administration office, a mobile equipment workshop–warehouse building, reagent storage area, laydown yard, laboratory and miscellaneous process plant buildings.

4 Capital cost estimate

The capital cost estimate for the project is $140 million:

Table 2: Capital cost estimate

ITEM	$ million
Mine	5
Process plant	59
Tailings management facility	10
Site infrastructure	22
Other	6
EPCM (Engineering, Procurement, Construction Management)	18
Sub-total	120
Working capital	10
Reclamation Bond	10
Total	140

- The capital cost estimate is based on all new equipment.
- All Canadian dollars, with currency exchange rate at parity (C$1.00 = US$1.00).
- All estimates have a base date of Q4 2011 with an annual inflation rate of 2% applied thereafter to all capital expenditure.
- Local labour, services and materials are to be used to the maximum extent feasible.

Review of projects

Touquoy Gold Project // Nova Scotia Canada

5 *Operating costs*

The total life-of-mine cash operating cost estimate for the Project is $252 million, with unit cash costs of $597/oz.

Table 3: Operating cost estimate

	TOTAL LIFE-OF-MINE	UNIT COSTS	
	$ million	$/tonne	$/oz
Mining	124	12.98	294
Processing	88	9.19	209
Site administration	22	2.28	52
Sub-total	234	24.45	555
Off-site costs	2	0.22	5
Royalties	16	1.63	37
Total	252	26.30	597

6 *Implementation Schedule*

The strategy for project implementation contemplates development under an Engineering, Procurement and Construction Management ("EPCM") contract. The project implementation schedule indicates a duration of 83 weeks from contract award to practical completion. Critical path for the project is delivery of the grinding mill which is presently approximately 50 weeks from placement of order.

Acquisition of surface titles

In January 2012 the Company's Canadian subsidiary DDV Gold Ltd submitted formal application to the Nova Scotia Minister of Natural Resources for vesting orders in relation to the remaining 14 surface land titles at the Touquoy Gold Project site pursuant to provisions of the Mineral Resources Act. The 14 properties comprise 2.6% of the total area of surface titles required. Forty-nine privately held titles have already been purchased. Seven Crown land lots, for which leases have been offered on reasonable conditions, and two road rights-of-way which may be purchased on reasonable conditions, complete the requisite land package. Notice from the Nova Scotia Minister of Natural Resources has been posted in the *Chronicle Herald,* with wide daily circulation in the Province.

Responses from interested parties received by the 20 February deadline are being reviewed by the Minister with a view to executing the process as fairly as possible for all interested parties.

Atlantic Gold has arrived at this point of the surface title acquisition program after substantial effort, expense, time and diligence and looks forward to a favourable and expeditious outcome for all parties.

The successful conclusion of the titles acquisition program will be a critical event in the development timeline of the Touquoy Gold Project as the Company advances the project into production.

In addition, in compliance with the terms of the Project's Environmental Assessment Approval, and in consultation with Nova Scotia Environment and the Department of Natural Resources, a plan to procure appropriate lands in the region of the Project site for the purposes of conservation is being developed.

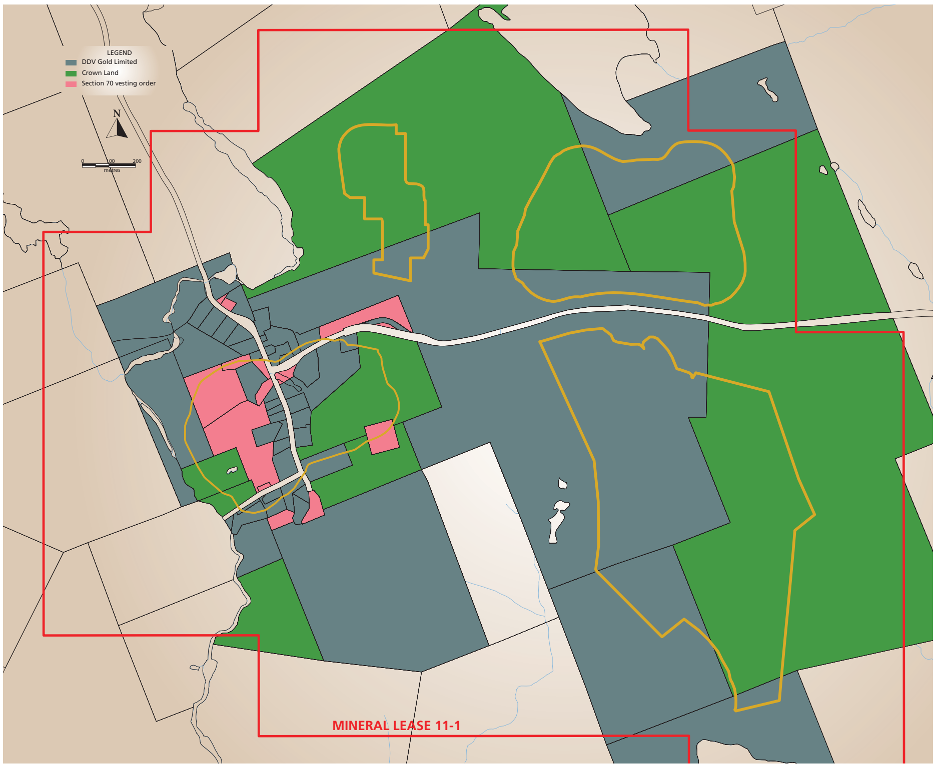


Figure 1: The surface titles shown in pink are being considered by the Nova Scotia Minister of Natural Resources in response to our application for vesting orders

Site works have commenced with the removal of derelict or un-useable buildings. Hazardous materials such as asbestos and lead-based paint are first stripped out by hand for safe disposal. The remainder of the building is demolished and materials removed for recycling or disposal.

Site works commence

The project site, officially known as Moose River Gold Mines, was an active pre-WW1 mining community and as a result there are 63 small residential lots with 25 former dwellings remaining, many in disrepair. Titles have been largely held by absentee owners/claimants under 'old law' title, most being heirs of the original inhabitants.

In association with the Moose River Mines Museum Society, Atlantic Gold carefully moved the building representing the Moose River Gold Mining Museum (formerly the schoolhouse) to a more suitably located property donated by Atlantic Gold to the Society.

Thirteen of the 25 former dwellings – either in a state of disrepair, otherwise un-useable, or in the way of planned infrastructure – have now been dismantled and recyclable materials salvaged. All work is being done in compliance with directives from the Halifax Regional Municipality, in which municipality the Project is located, and pursuant to the terms of the Environmental Assessment Approval as previously granted.

Project financing

Financing structures to fund the Touquoy Gold Project continue to be developed and evaluated in order to establish an optimal project funding package. As previously noted indicative responses from a range of major banks confirm the Company's view that conventional debt is available to form the major component of the project funding requirement.

The old schoolhouse passes by the Atlantic Gold office on its way to a new site for the Moose River Gold Mining Museum

Touquoy and Cochrane Hill Gold Projects // Nova Scotia Canada

OVER 900,000 oz IN-PIT POTENTIAL FOR COMBINED NOVA SCOTIA GOLD PROJECTS – TOUQUOY AND COCHRANE HILL

The Touquoy Gold Project represents the first stage of a 10-year production plan of 900,000 ounces for the combined Touquoy and Cochrane Hill Gold Projects. This combined production plan involves the re-location of the Touquoy processing plant 80 km to the east to Cochrane Hill upon completion of the Touquoy operation. Cochrane Hill is the Company's second gold development project in the Nova Scotia goldfields.

In addition to the Touquoy DFS this combined production plan considers:

(i) production from the Touquoy Inferred Resources of 26,000 contained ounces located within the designed pit but excluded from the established Ore Reserves and

(ii) recovery of 450,000 ounces gold from Cochrane Hill following completion of the Touquoy operation.

It excludes any input from the satellite resource at Touquoy West (previously reported 2.0 Mt @ 1.5 g/t for 99,000 ounces).

Given the approximation of economic inputs to the development of Cochrane Hill this Extended Case is a study at a conceptual level, and on 100% basis:

Table 4: Projected conceptual outcomes – 100% Basis
Touquoy and Cochrane Hill Gold Projects combined

Throughput	19.0 Mt @ 1.5 g/t for 970,000 contained ounces
Production	900,000 ounces
Average annual production	93,000 ounces
Plant	2 Mtpa Re-located to Cochrane Hill post-Touquoy
Initial mine life	9.7 years
Pre-production capital cost	$140 million
Total life-of-mine capital cost	$254 million
Gold price	$1700/oz
Cash operating cost	$646/oz. Includes royalty payments of $37/oz.
Net cash surplus (pre-tax)	$721 million
Payback period	18 months after first gold pour
Project NPV (8%, pre-tax)	$371 million
Internal rate of return	53%

Table 5: Nova Scotia Ore Reserves and Mineral Resource inventory

	TONNES million	GRADE g/t	CONTAINED GOLD ounces
ORE RESERVES *			
Touquoy			
Proved	2.49	1.48	118,000
Probable	7.10	1.47	336,000
Total Reserves	9.59	1.48	454,000
MINERAL RESOURCES			
Touquoy			
Measured resource	2.8	1.5	130,000
Indicated resource	7.3	1.5	350,000
Inferred resource	1.6	1.5	77,000
Total Touquoy [1]	11.7	1.5	557,000
Touquoy West			
Indicated resource	0.9	1.9	54,000
Inferred resource	0.6	2.2	45,000
Total Touquoy West [2]	1.5	2.0	99,000
Total Touquoy Project	**13.2**	**1.5**	**656,000**
Cochrane Hill			
Indicated resource	4.5	1.8	251,000
Inferred resource	5.6	1.6	298,000
Total Cochrane Hill Project [3]	10.1	1.7	549,000
TOTAL NOVA SCOTIA	**23.3**	**1.6**	**1,205,000**

* Ore Reserves are included in Mineral Resources, and are not additive. Touquoy Ore Reserves contain no Mineral Resources from Touquoy West. There are an estimated 26,000 additional ounces of gold identified as Inferred Resources within the final pit and which do not form part of the Ore Reserves.

Notes 1–3: See page 11.

Review of projects

Cochrane Hill Gold Project // Nova Scotia Canada

Purchase of 100% of Cochrane Hill Gold Project

In May 2011 Atlantic Gold entered into a formal agreement with Scorpio Gold (Canada) Corporation (Scorpio) to purchase Scorpio's 100% interest in the Cochrane Hill Gold Project to Atlantic Gold for C$1.6 million. Scorpio's offer was made in accordance with Atlantic Gold's pre-emptive rights under the existing Option Agreement between the parties, Scorpio having received this offer from a third party, Steeple Holdings Limited (Steeple).

Steeple subsequently claimed that the Cochrane Hill property should have been sold to Steeple rather than Atlantic Gold and applied to the Supreme Court of Nova Scotia for an order of specific performance. However, following a 3-day hearing in March 2012 the Supreme Court declined Steeple's application. Subject to any appeal, the acquisition of the Cochrane Hill gold property by Atlantic Gold from Scorpio can now proceed as previously agreed with the final instalment of C$1.0 million to be paid to Scorpio by 23 May 2012.

Resource estimate

The Mineral Resource estimate for the Cochrane Hill Gold Project incorporates results from the 39 diamond holes (3,102 m) drilled into the resource by Atlantic Gold; 79 holes (11,098 m) drilled during the 1970s and 1980s by previous explorers; and infill sampling undertaken by Atlantic Gold on this historic core recovered from storage.

The gold mineralisation is developed within a 30 m steeply dipping wide zone of sulphidic and quartz-veined sediments over a length of about 700 m. Coarse (visible) gold is common and the gold is expected to be free-milling on indications from historic testwork and similarities to other gold deposits in this district. The mineralised zone plunges gently to the west and it remains open down-plunge in this direction.

Based on the present resource inventory (Table 5) and the assumption (yet to be confirmed) that all Inferred Resources can be converted to Measured and Indicated Resources, a conceptual open-pit has been optimised using similar costs and operating plan – 2 Mtpa gravity/CIL – to those presently applicable to the Touquoy Gold Project. For a gold price of US$875/oz production of 8.9 million tonnes grading 1.7 g/t to recover 450,000 ounces gold is indicatively projected in Table 6.

Table 6: Conceptual Cochrane Hill output

GOLD PRICE	TONNES millions	GRADE (g/t)	GOLD RECOVERED ounces	STRIP RATIO
US$875/oz	8.9	1.7	450,000	1:5.8

Drilling

Owing to the now resolved ownership dispute, only a modest drill program was undertaken on the property during 2011. To further test for additional ore positions along the mineralised trend, 43 shallow reverse circulation holes for 830 m were drilled on seven traverses. Results point to the west of the deposit, where anomalous gold (to 2.53 g/t over 1 m) was intersected on several traverses. Deeper testing along this western trend is warranted at a later date.

History

Gold was first discovered at Cochrane Hill in 1868 with 1354 ounces of gold recovered between 1877 and 1929. Modern exploration commenced in 1974 with 152 diamond core holes and bulk samples.

Geology

As with the Touquoy Gold Deposit, the Cochrane Hill gold deposit is also developed close to a regional anticlinal axis and in broadly similar fine grained sedimentary rocks of the Meguma Group. The 30m wide mineralised sequence of sulphidic and quartz veined slates which hosts the Cochrane Hill resource is developed within the steeply dipping southern limb of the overturned Cochrane Hill anticline.

This mineralised sequence, largely obscured by overburden, has been traced intermittently for 5km across the property and is identified by several areas of anomalous gold geochemistry. Gold mineralisation that appears to be confined to plunging shoots in a similar stratigraphic and structural position to Cochrane Hill has been identified by shallow reconnaissance interface drilling and follow-up diamond drilling by Atlantic Gold between 600m and 1100m west of the resource. Further intensive property-wide exploration is yet to be undertaken on this property.

Review of projects

Exploration // Nova Scotia Canada

The Nova Scotia goldfields, in the so-called Meguma Terrane, are highly prospective for major open-pittable gold reserves similar in style to those at Touquoy and Cochrane Hill. At Touquoy in particular, most of the gold is disseminated throughout dark grey shales devoid of quartz veining. However this non-traditional style of gold mineralisation in Nova Scotia, now demonstrably commercially viable via open pit mining and conventional gravity/CIL processing, is not widely appreciated. Therefore, apart from Atlantic Gold's active investigations in the eastern part of the Meguma Terrane, regional exploration directed to the discovery of gold reserves of this type has never previously been undertaken.

Furthermore 90% of the Meguma Terrane is estimated to be covered by a veneer of glacial till – on average 5-10 m of unconsolidated sand, clay and boulders transported and dumped during the last ice age. All of the gold deposits known in the Meguma Terrane were found by the "old timers" – and the last gold discovery was reportedly made in the 1890s – only where streams had cut through this overburden and exposed outcropping quartz veins bearing gold. Our careful orientation investigations at Touquoy confirm that this overburden is geochemically opaque; that is, the geochemical characteristics of soil and plants at surface provide no representation of the bedrock or of the orebody beneath.

Thus in order to efficiently explore this terrain it is necessary to drill through the overburden and retrieve several metres of bedrock for visual and geochemical analysis. We refer to this as "interface drilling". In collaboration with a local driller we have developed a reverse circulation drilling rig mounted on a logging transporter, capable of drilling to about 30 m depth and adapted specifically for Nova Scotia conditions.

2011 reconnaissance exploration program

A major regional reconnaissance interface reverse circulation drilling program was conducted from May to December 2011 over more than 1,400 km^2 of exploration properties. The program represented a significant upscaling of Atlantic Gold's exploration activity in Nova Scotia. More than 1,180 holes for over 14,900 m were drilled to sample bedrock beneath an average of 8 m of transported glacial overburden (till).

Drill traverses generally follow logging and other woods roads across the apparent trend of the target host rocks with individual holes generally spaced at 80 m apart, and closing to 40 m apart as results dictate at the time. The initial target of this drilling is a broad signpost "halo" of rock alteration with or without attendant gold anomalism – and gold concentrations as low at 20 ppb (parts per billion) in sedimentary rocks without quartz veins are regarded as interesting. Such alteration halo around the Touquoy deposit is about 4 km long so first-pass interface drill traverses are ideally spaced no more than 3-4 km apart.

Nineteen target areas were examined by applying critical geological, geochemical and geophysical characteristics of the Touquoy and Cochrane Hill mineralisation against an excellent regional public database.

Four target zones of Touquoy/Cochrane Hill style disseminated gold mineralisation have been identified – West Caledonia, Caduesky Lake, Moses Lake and East Rawdon – and the ongoing 2012 program is planned to include additional interface drilling to detail and extend these zones for follow-up diamond drilling.

The regional land package is a dynamic holding given that claims will be dropped and new claims pegged or acquired as results demand. Current land position is approximately 900 km^2, with around 600 km^2 relinquished and 200 km^2 of new property acquired since the completion of the 2011 program.

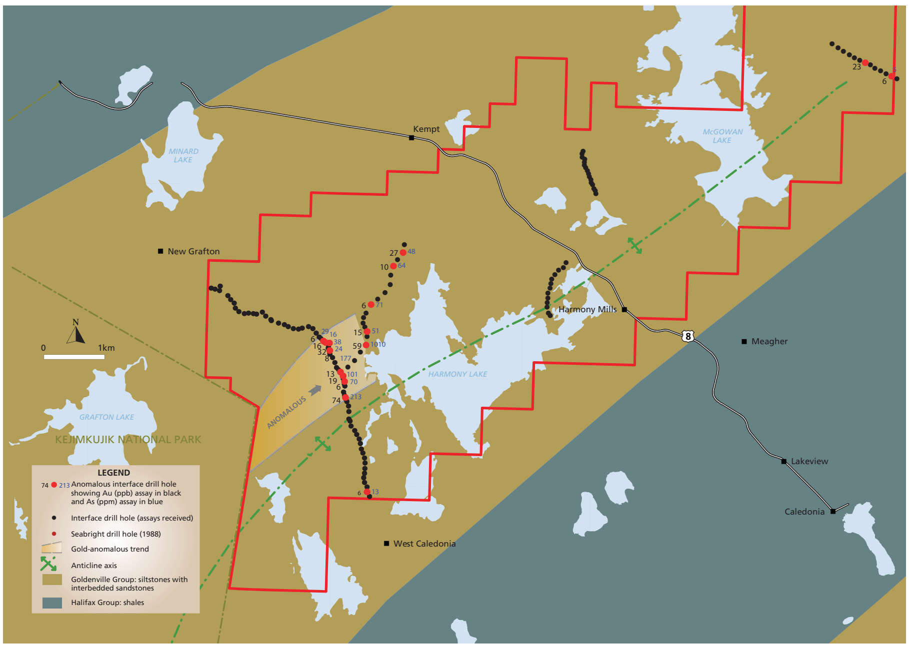
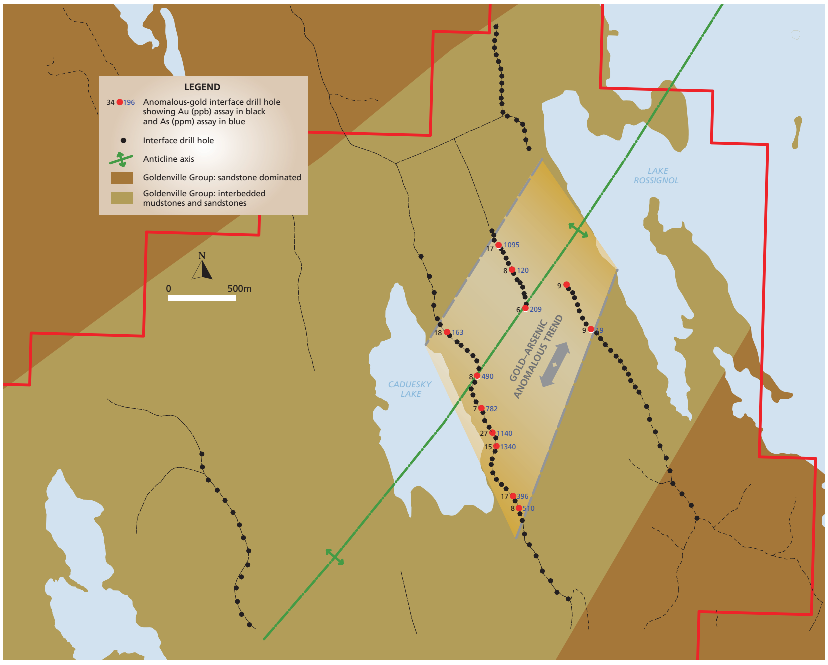


Figure 2: West Caledonia prospect

Figure 3: Caduesky Lake prospect



2012 exploration targets

Encouraging results were received from the **West Caledonia** property where a discrete zone of gold anomalism at least 4 km long and 1 km across has been identified by more than a dozen drill holes which returned anomalous gold (to 74 ppb and arsenic in bedrock samples (Figure 2).

The anomalous zone includes an area of distinct gold anomalism in the southwest where rock chip assays of up to 60 ppm gold, from probable till, were recorded by a previous explorer, Seabright Resources, in the late 1980s in an area of rare outcrop. Five follow-up diamond holes for 532 m were drilled in 1988 and returned up to 0.7 m at 1.1 g/t gold. Sampling was selectively focussed on quartz veining so most of the core was not sampled. No remaining core has been found.

Favourable indicators are the association of anomalous arsenic with the gold, and the absence of quartz veining in the most gold-anomalous shale samples, which at this stage suggest "Touquoy type" mineralisation. These geochemical indicators are of similar tenor to those which define the broad geochemical "halo" around the Touquoy gold deposit.

A new gold zone was identified at **Caduesky Lake**, also in the western part of the Province, where anomalous gold (to 27 ppb) with strong arsenic support is evident on two first-pass traverses over about 1 km^2 (Figures 3).

On the **Moses Lake** property several gold anomalous sites were identified in sulphidic shales with associated quartz veining and anomalous arsenic (Figure 4). Infill drilling confirmed the anomaly although the strike extent remains to be established.

With regard to these three target zones, while absolute gold values are modest these results are considered very encouraging in terms of the wide sample spacing and the relative values against a very low background, along with the comparison against regional geochemical haloes around the Touquoy and Cochrane Hill gold deposits, and the geological setting.

Moses Lake: Chief Geologist John Utley, Geologist Archie Rankin and Project Geologist Tim Bourque collect samples from the interface RC drilling

Review of projects

Exploration // Nova Scotia Canada

The most recent gold anomaly was identified at **East Rawdon**, 65 km west of the Company's major Touquoy Gold Project (Figure 4). Three 100 metre deep diamond core holes have been drilled to follow up encouraging disseminated gold mineralisation in the southernmost five of ten shallow (~20 metre) angled reverse circulation (RC) holes. The best result was from the southernmost RC hole (ERC-11-001), with 0.25 g/t over 18 m from 4 m depth to the base of the hole at 22 m depth.

At the time of writing, assay results for the first diamond drill hole only have been received (Figure 5). These results, together with visual observations, unexpectedly indicate the mineralised zone to be steeply south-dipping and about 35 m wide. Host rock is weakly pyritic and finely quartz-stockworked greywacke. Potential for grade enhancement along strike to the east and west remains to be tested.

Figure 4: East Rawdon

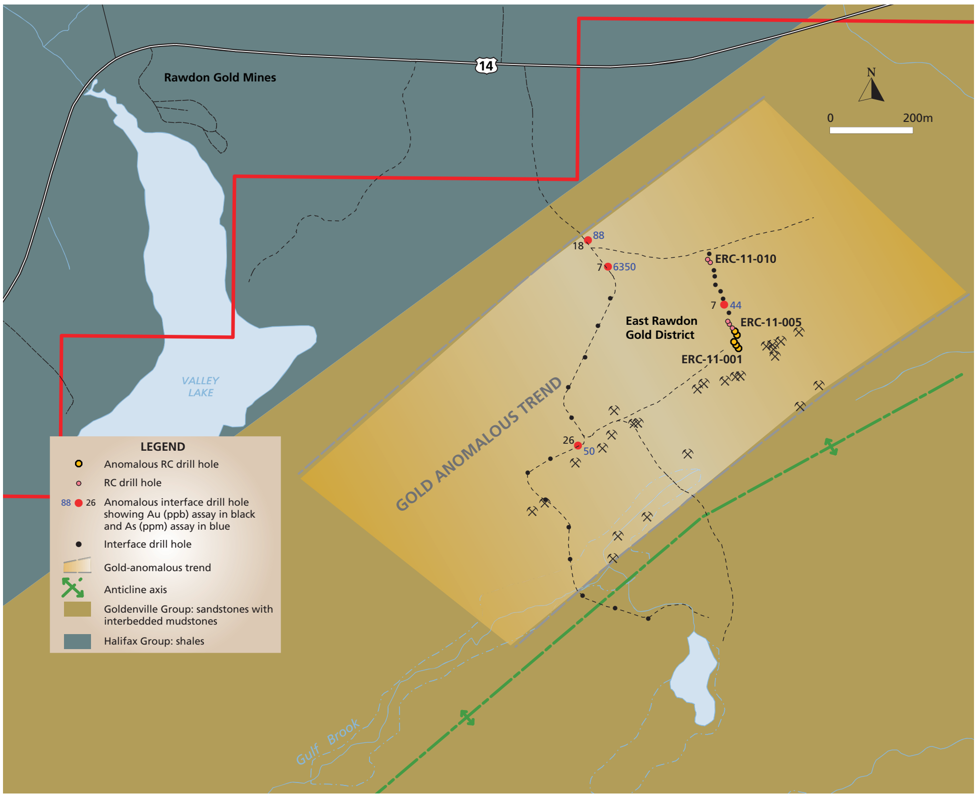
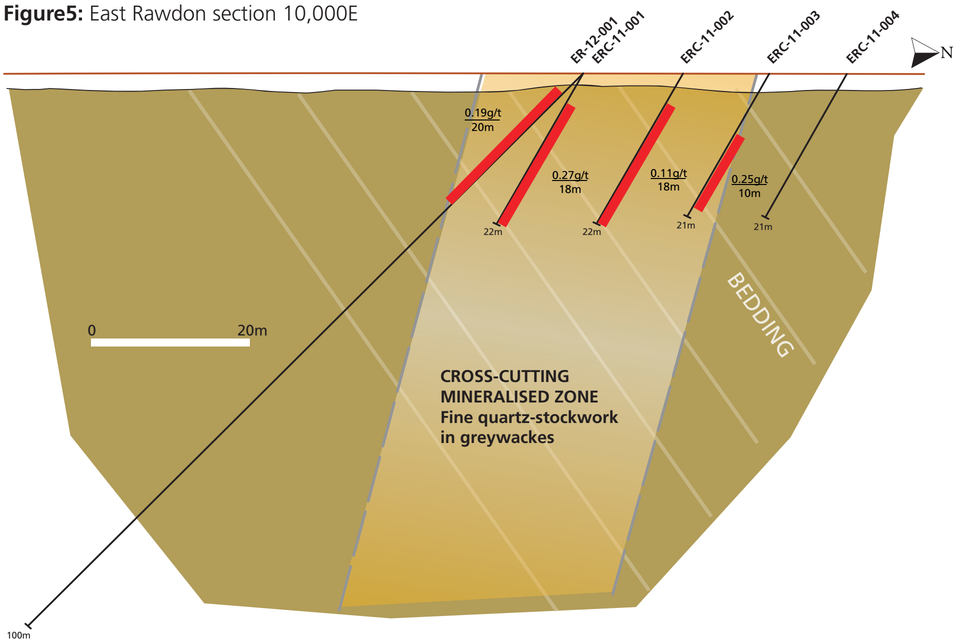


Figure5: East Rawdon section 10,000E



Notes to Table 2: Nova Scotia mineral resource inventory

Note 1:

Estimation technique: Multiple Indicator Kriging with block variance adjustment applied. Ore selectivity is assumed to be 5 metres (north) by 5 metres (east) by 2.5 metres (elevation) via an open pit mining scenario.

Drillholes: 298 NQ diamond core holes for 27,200 m of which Atlantic Gold has drilled 129 holes for 10,480 m.Variable spacing, averages 30 m x 20 m.

Assay methodology (all based on ½ NQ core):

ATV: Fire assay of pulverised whole-sample (32% of database), with all samples ≥ 0.5 g/t or within ore-grade intervals screen fire assayed (1825 samples or 6% of database).

Historic: Whole-sample fire assay of +100# gravity concentrate weight–averaged with fire assay of -100# fraction (28% of database) adjusted in accordance with Atlantic Gold's trial grade control study, fire assay of pulverised split from crushed parent (28% of database) and screen fire assay (6% of database).

Bulk density: 2.80 g/cm^3. Based on 183 determinations.

Lower cut-off grade: 0.5 g/t, to maximum depth of 150 m.

Note 2:

Estimation technique: Multiple Indicator Kriging with block variance adjustment applied. Ore selectivity is assumed to be 5 metres (north) by 2 metres (east) by 2.5 metres (elevation) via an open pit mining scenario.

Assay methodology (all based on ½ NQ core):

Fire assays on pulverised split from crushed parent from 116 diamond drill holes.

Bulk density: 2.80 g/cm^3.

Lower cut-off grade: 1.0 g/t.

Drillhole spacing: Variable, averages 30 m x 25 m.

Note 3:

- Estimation technique: Multiple Indicator Kriging with block variance adjustment applied. Data flagged to mineralised wireframe. Ore selectivity is assumed to be 4 metres (north) by 8 metres (east) by 2.5 metres (elevation) via an open pit mining scenario.
- Lower cut-off grade 0.5g/t
- All Atlantic Gold holes are NQ diameter with half sawn core sampled at 1m intervals and fire assayed following total sample pulverisation.
- Atlantic Gold's quality control procedures include routing submission of drill core blanks and accredited standards, together with selected submission of blank standards immediately following samples containing visible gold.
- Bulk density: 2.76g/cm^3 (67 mineralised samples).
- Resource estimate based on 6,665 sample assays from 39 holes (3,102 m) drilled by Atlantic Gold and 79 holes (11,098 m) drilled in the 1970s and 1980s. Samples from historic holes fire assayed, with screened fire assay on samples bearing visible gold. Results for the 56 underground drillholes (table below) are considered unreliable and have not been used. Seventeen historic surface holes are located beyond the resource limits.
- All samples (six) over 100 g/t cut to 100 g/t.
- Hole spacing: Averages 20 m x 20 m in the central portion of the deposit to a depth of 100 m from surface. Outside this area the drilling sections average 30 metre centres and holes on section are irregularly spaced.
- Details of previous diamond drilling campaigns:

Company	Year	Location	No. holes	Metres	Core size/sample
Massval Mines	1974	Surface	44	4840	A,BQ/split
Northumberland	1981	Surface	21	3932	A,BQ/split
Scominex	1984-87	Surface	31	5107	NQ/sawn
Scominex	1984-87	Underground*	28	830	NQ/sawn
Novagold	1988	Underground*	28	2044	NQ/sawn
			152	16753	

*Assays from underground drilling have not been used in present resource estimate.

- Bulk sampling: Approximately 14,900 tonnes from 25,000 tonnes development material excavated from surface and underground during 1982-88 were treated by various means:

Company	Year	Sample type	Tonnage	Treated	Grade (g/t)
Northumberland	1982-83	Pit	13,500	13,041	1.6
Scominex	1987	Underground	4,443	2.8	1.9
Novagold	1988	Underground	7,400	1860	2.1

- Details as to grade control methodology, metallurgical recovery and sample representivity applying at the time are not clear and resultant grades are therefore considered unreliable. These, and the historic tonnage mined (approx 32,000 tonnes in total), have not been deducted from the resource estimate.

The geological information in this report relating to exploration and Mineral Resources has been complied by WR Bucknell who is a director of Atlantic Gold NL and 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).

The resource estimates for Touquoy and Cochrane Hill described in this report were completed by Mr Neil Schofield, a principal of Hellman and Schofield Pty Ltd. Mr Schofield is a Member of AusIMM and qualifies as a Competent Person in respect of the 2004 JORC Code by virtue of having sufficient experience which is relevant to the Touquoy style of mineralisation and deposit type. Mr Schofield has consented to the inclusion of this information in the form and context in which it appears in this report.

The resource estimate for Touquoy West described in this report was completed by Mr Nic Johnson, an employee of Hellman and Schofield Pty Ltd. Mr Johnson is a Member of AIG and qualifies as a Competent Person in respect of the 2004 JORC Code by virtue of having sufficient experience which is relevant to the Touquoy West style of mineralisation and deposit type. Mr Johnson has consented to the inclusion of this information in the form and context in which it appears in this report.

Corporate governance statement

The Company's corporate governance policies have been formulated to ensure that it is a responsible corporate citizen. This statement outlines the main corporate governance practices that are in place and which comply with the Australian Stock Exchange Corporate Governance Council recommendations, unless stated otherwise. This statement is organised under headings based on the Australian Securities Exchange (ASX) Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd edition August 2007 with 2010 amendments).

1 Lay solid foundations for management and oversight

Establish and disclose the respective roles and responsibilities of board and management

1.1 Establish and disclose the functions reserved to the board and those delegated to senior executives.

The Directors are responsible to shareholders for the overall corporate governance of the Atlantic Gold Group including its strategic direction, establishing goals for management and monitoring of achievement of these goals. The Board has also established a framework for the management of the Consolidated Entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards. The Board delegates responsibility for day-to-day management of the Company to the Chief Executive Officer (CEO). However, the CEO must consult the Board on matters that are sensitive, extraordinary or of a strategic nature.

1.2 Disclose the process for evaluating the performance of senior executives.

The performance of senior executives is continuously assessed against functions and milestones specified in their contracts of employment, which is considered appropriate for a company of this size.

1.3 Provide the information indicated in the Guide to reporting on Principle 1.

The Company's Board Charter is available on the Company's website.

2 Structure the board to add value

Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties

2.1 A majority of the board should be independent directors.

The board consists of chairman Mr Ronald Hawkes, non executive director Mr Robert Symons and executive director and chief executive officer Mr Wally Bucknell. Mr Hawkes may not be considered an independent director as he controls a voting interest of more than 5% in the company. Mr Symons is considered an independent director. The size and composition of the Board is considered appropriate to a company of this size. Independent professional advice can be obtained by Directors at the Company's expense on authority of the Board or the CEO.

2.2 The chair should be an independent director.

As stated in 2.1 above the Chairman, Mr Ronald Hawkes, holds a voting interest of more than 5% and may not be considered an independent director. Mr Hawkes brings to the Board extensive experience in the gold mining industry in Australia and Canada. The Company considers that Mr Hawkes acts in the best interest of the Company at all times.

2.3 The roles of chair and chief executive officer should not be exercised by the same individual.

Mr Ronald Hawkes is Chairman and Mr Wally Bucknell is Executive Director and CEO.

2.4 The board should establish a nomination committee.

This role is performed by the Board which is considered appropriate for a company, and a board of directors, of this size.

2.5 Disclose the process for evaluating the performance of the board, its committees and individual directors.

The performance of the Board, committees, individual directors and officers is continuously assessed which is considered appropriate for a board, and a company, of this size.

2.6 Provide the information indicated in the Guide to reporting on Principle 2.

The Company is committed to providing a fair and equitable workplace, free from discrimination related to age, gender, ethnic, cultural or other personal factors, in which the exchange of ideas, experiences and perspectives benefits all employees and the communities in which we operate.

The Board Charter is available on the Company's website. Additional information is provided in the Directors' Report.

3 Promote ethical and responsible decision making

Actively promote ethical and responsible decision making

3.1 Establish and disclose a code of conduct to guide as to:

- the practices necessary to maintain confidence in the company's integrity;
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

All directors, officers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Code of Conduct is available on the Company's website.

3.2 Establish a policy concerning diversity including measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company has established a Diversity Policy, which includes objectives for achieving gender diversity and for the Board to review annually both the Policy and progress in achieving them.

3.3 Disclose the measurable objectives for achieving gender diversity and progress towards achieving them.

At this time, given the size and composition of the Company's workforce, the Board has not formalised measurable objectives for achieving gender diversity, however it is committed to providing equal employment opportunity and a fair and equitable workplace, free from discrimination.

3.4 Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The proportion of women in the whole organisation, in senior executive positions and on the Board as at the date of this Report are as follows:

Whole organisation	2 out of 7	(29 %)
Senior Executive positions	1 out of 3	(33 %)
Board	0 out of 3	(0 %)

In addition to the employees included in the above table, the Company engages contractors from time to time and at all times provides equal employment opportunity to men and women.

3.5 Provide the information indicated in the Guide to reporting on Principle 3.

The Code of Conduct and the Diversity Policy are available on the Company's website.

4 Safeguard integrity in financial reporting

Have a structure to independently verify and safeguard the integrity of the company's financial reporting

4.1 The board should establish an audit committee.

The Board has appointed an Audit Committee.

4.2 Structure the audit committee so that it consists of:

- only non-executive directors
- majority of independent directors
- an independent chairman, who is not chairman of the board
- at least three members.

The members of the Audit Committee are Mr Robert Symons (Chairman) and Mr Ronald Hawkes. Mr Symons is an independent director. Mr Ronald Hawkes may be considered as not independent as he is a substantial shareholder of the Company. The size and structure of the Audit Committee are considered appropriate for a company, and a board of directors, of this size.

4.3 The audit committee should have a formal charter.

The Audit Committee Charter is available on the Company's website.

4.4 Provide the information indicated in the Guide to reporting on Principle 4.

Further details of members of the Audit Committee are available in the Directors' Report. The Audit Committee Charter is available on the Company's website. The engagement of auditors, including rotation of individuals playing a significant role in the audit, is considered annually.

Corporate governance statement

5 Make timely and balanced disclosure

Promote timely and balanced disclosure of all material matters concerning the company

5.1 Establish and disclose written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.

The Company provides information on its activities and financial position quarterly, half-yearly and annually. The CEO is responsible for overseeing disclosure of Information to the ASX in accordance with Continuous Disclosure requirements contained in the ASX Listing Rules, and communication of information to the media, analysts, brokers and shareholders. Reports and releases provided to the ASX are available on the Company's website for shareholders and other interested parties to review. The Company's Continuous Disclosure Policy is available on its website.

5.2 Provide the information indicated in the Guide to reporting on Principle 5.

A copy of the Continuous Disclosure Policy is available on the Company's website.

6 Respect the rights of shareholders

Respect the rights of shareholders and facilitate the effective exercise of those rights

6.1 Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings.

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The Board has adopted the following Communications Strategy:

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to other disclosures required by the *Corporations Act 2001*.
- The half yearly report contains summarised financial information and a review of the operations of the Company during the period. The report is prepared in accordance with the requirements of Australian Accounting Standards and the *Corporations Act 2001*. The report is sent to any shareholder upon request.
- Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to shareholders as single resolutions.

The Company's website provides up to date information to shareholders and other interested parties in relation to the Company's activities, information on its projects, history of the Company and copies of announcements and reports released to the ASX. In addition, reports and releases are sent by email to shareholders and other interested parties at their request. Emails addresses are verified and kept confidential in accordance with privacy legislation.

6.2 Provide the information indicated in the Guide to reporting on Principle 6.

The Communications Strategy is available on the Company's website.

7 Recognise and manage risk

Establish a sound system of risk oversight and management and internal control

7.1 Establish and disclose policies for the oversight and management of material business risks.

A Risk Management Policy has been adopted which is designed to allow the Board to identify and manage the material business risks and statutory financial reporting and continuous disclosure risks associated with the company's activities. The Risk Management Policy is available on the Company's website.

7.2 Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.

The Chief Executive Officer is responsible for implementing the risk management strategies approved by the Board. Material business risks are monitored continuously. A Risk Management Plan, identifying and assessing each risk and proposing an appropriate strategy for its management, has been developed and is reviewed, updated and submitted to the Board at least annually. The Chief Executive Officer has reported to the Board on his review of the Risk Management Plan for the current period in accordance with this paragraph.

7.3 Disclose whether the board has received assurance from the CEO and CFO that the declaration in accordance with s.295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board has received a statement in writing from the CEO and CFO attesting to the above.

7.4 Provide the information indicated in the Guide to reporting on Principle 7.

The Risk Management Policy is available on the Company's website.

8 Remunerate fairly and responsibly

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear

8.1 The board should establish a remuneration committee.

The Board has appointed a Remuneration Committee. The members of the Remuneration Committee are Mr Robert Symons (Chairman) and Mr Ronald Hawkes. However, this role is generally performed by the Board which is considered appropriate for a company, and a board of directors, of this size. The Board has adopted a Remuneration Committee Charter which is available on the Company's website.

8.2 The remuneration committee should be structured so that it:

- consists of a majority of independent directors
- is chaired by an independent director
- has at least three members.

Mr Symons, the Chairman of the Remuneration Committee, is an independent director. Mr Ronald Hawkes may be considered as not independent as he is a substantial shareholder of the Company. The size and composition of the Remuneration Committee is considered appropriate to a company of this size. The Committee comprises two out of the three directors of the Company. Except where a conflict of interest exists, the role of the Remuneration Committee is performed by the Board and includes Mr Wally Bucknell, Executive Director and CEO.

8.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Non-executive directors receive a fixed fee. The aggregate sum of fees paid to non-executive directors is approved by shareholders. Shareholders have approved the issue of share options to non-executive directors which have been issued at premium to the share price at the time of issue. Any benefit to directors will only accrue from an increase in share price.

8.4 Provide the information indicated in the Guide to reporting on Principle 8.

The Remuneration Committee Charter is available on the Company's website.

Please refer to the Company's website www.atlanticgold.com.au/corpgov.

Directors' report

The directors present their report together with the financial report of the Consolidated Entity, being Atlantic Gold NL (the Company) and its subsidiaries, for the financial year ended 31 December 2011, and the Auditor's Report thereon.

Directors

The names of directors in office at any time during or since the end of the financial year are shown below.
All directors have been in office since the start of the financial year to the date of this report.

Mr Ronald J Hawkes

BSc, FAusIMM, FGAC
Non-executive chairman

Qualifications and experience
Board member since 18 January 1999
Mr Hawkes has 47 years' experience in the mining industry and was formerly the Managing Director of Plutonic Resources Limited.
He is a member of the Audit Committee and the Remuneration Committee.

Mr Wally R Bucknell

BSc (Hons), FAusIMM, FGAC, MSEG
Executive director

Qualifications and experience
Board member since 18 January 1999
Mr Bucknell has 43 years' experience in the mining industry and was formerly the General Manager – Exploration of Plutonic Resources Limited.
He is a member of the Remuneration Committee.

Mr Robert H N Symons

BA LLB (Hons)
Non-executive director

Qualifications and experience
Board member since 31 December 2005
Mr Symons is general counsel and Australian head of compliance director, and a former senior partner of the law firm Norton Rose Australia. He has extensive experience in many aspects of corporate and commercial legal practice with particular expertise in resources, energy and infrastructure.
He is a member of the Audit Committee and the Remuneration Committee.

Company Secretary

Julie Fidler

Ms Fidler was appointed to the position of company secretary on 10 December 2003. She assisted with company secretarial functions in the company for 3 years prior to being appointed Company Secretary.

There are no officers of the company during the financial year who were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of the company.

Directors' meetings held

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the company during the financial year are:

		BOARD	AUDIT COMMITTEE	REMUNERATION COMMITTEE
Meetings held		**8**	**1**	**1**
Meetings attended:	R J Hawkes	8	1	1
	W R Bucknell	8	–	–
	R H N Symons	8	1	1

Principal activities

The principal activities of the Consolidated Entity during the financial year were precious minerals exploration, primarily for gold. There were no changes in the nature of the Consolidated Entity's principal activities during the financial year.

Operating results

The consolidated loss of the Consolidated Entity after income tax amounted to $1,219,668 (2010 loss $703,157).

Dividends paid or recommended

No dividends have been paid or declared during the year. The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2011.

State of affairs

The company made the following issue of shares during the year to provide additional working capital:

- Issue of 53,091 ordinary shares at 8 cents per share pursuant to the exercise of ATVOA options expiring 31 January 2011 raising $4,247.
- Issue of 43,924,107 ordinary shares at 4 cents per share pursuant to Share Purchase Plan raising $1,757,004.
- Issue of 32,492,534 ordinary shares at 5 cents per share pursuant to placement raising $1,624,627.

Share performance and shareholder wealth

The company's share price at the beginning of the period was 5.2 cents and 3.1 cents at the end of the period. During the period the share price ranged from a low of 3.1 cents to a high of 6.0 cents. There was no return of capital to shareholders.

Non-audit services

During the year KPMG provided to the Consolidated Entity audit services amounting to $67,050 (2010: $65,750) and taxation services amounting to $6,869 (2010: $18,043). The directors are satisfied that provision of taxation services does not compromise audit independence.

Events subsequent to balance date

The Company, through its Canadian subsidiary DDV Gold Ltd, has submitted formal application to the Nova Scotia Minister of Natural Resources for vesting orders pursuant to provisions of the Mineral Resources Act in relation to the remaining 14 surface land titles to be acquired at the Touquoy Gold Project site. Notice of Application for Vesting Order has been posted by the Minister of Natural Resources in the Nova Scotia Chronicle Herald.

The Definitive Feasibility Study for the Touquoy Gold Project in Nova Scotia has been updated and re-affirms the robust viability of the Touquoy Gold Project.

The Company issued 25 million shares on 2 March 2012 pursuant to placements at 3 cents per share to raise $750,000.

On 9 March 2012, following a 3-day hearing, the Supreme Court of Nova Scotia declined Steeple Holdings Limited's application regarding the Cochrane Hill Gold Project. Subject to any appeal, the acquisition of the Cochrane Hill Project by DDV Gold Ltd should now proceed as previously agreed, with the final instalment to be paid in May 2012.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Likely developments

The Consolidated Entity will continue to focus on the further advancement of the Touquoy and Cochrane Hill Gold Projects and gold exploration in Nova Scotia, Canada.

Environmental regulation

The Consolidated Entity's operations are subject to significant environmental regulation under the laws of both Australia and Canada. The directors are not aware of any breaches of the legislation during the financial year which are material in nature.

Remuneration report – audited

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior executives of the company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting and retaining appropriately qualified and experienced directors and executives.

The terms of employment for senior executives directly employed by the company are unlimited in term, with statutory notice and termination provisions.

The aggregate sum that may be paid to non-executive directors is determined by a resolution of shareholders. The aggregate sum may be divided among those directors in such proportion and manner as they agree or in default of agreement equally. Shareholders approved an aggregate remuneration that may be paid to non-executive directors of $200,000 at the Annual General Meeting on 21 May 2004.

No part of the remuneration of directors or senior executives is performance related.

	SHORT TERM			POST EMPLOYMENT	EQUITY		
	SALARY AUD	DIRECTORS' FEES AUD	CONSULTING FEES AUD	SUPERANNUATION AUD	VALUE OF SHARE OPTIONS AUD	% OF TOTAL REMUNERATION %	TOTAL AUD
2011							
Directors							
R J Hawkes	–	60,000	–	5,400	–	–	65,400
W R Bucknell	260,400	–	–	23,436	–	–	283,836
R H N Symons	–	30,000	–	2,700	–	–	32,700
Executives							
Australia							
J Fidler Company Secretary	81,172	–	–	7,306	–	–	88,478
2010							
Directors							
R J Hawkes	–	60,000	43,600	5,400	–	–	109,000
W R Bucknell	246,500	–	–	22,185	9,937	3.6	278,622
R H N Symons	–	30,000	–	2,700	–	–	32,700
Executives							
Australia							
A A Pilkington Chief Financial Officer (resigned 29 Jan 10)	–	–	43,835	–	560	1.3	44,395
J Fidler Company Secretary	65,168	–	–	5,865	–	–	71,033

Options provided as remuneration

The company's approved Employee Share Option Plan has no performance criteria and options over ordinary shares in the Company provided as remuneration to directors and specified executives pursuant to the Employee Share Option Plan have progressive vesting: 20% of the grant is vested on issue, with 30% vested one year later and the balance of 50% vested after 2 years. Unless exercised the options expire 4 years from date of issue. The options cannot be transferred and will not be listed on the Australian Securities Exchange (ASX).

On 29 August 2008 the Company issued 2,000,000 options to Mr Bucknell under the Employee Share Option Plan. The assessed fair value of these 15.5 cent options is 3.01 cents. These options expire on 28 August 2012.

On 9 March 2010 the Company issued 400,000 fully vested options to Mr A A Pilkington pursuant to contract of employment. The assessed fair value of these 15 cent options is 0.14 cents. These options expire on 14 October 2012.

The amount included in the above table for 'Value of Share Options' is the unamortised value of options vesting during the period plus a pro rata value of unvested options.

The amounts disclosed above for remuneration purposes relating to options is the assessed fair value at issue date. Fair value is determined using a binominal option pricing model which takes into account the share price at time of issue and expected volatility of the underlying share (40%), the exercise price and term of the option (4 years), the risk free interest rate (6% in 2006 and 7.32% in 2008) and expected dividends, adjusted to reflect the prohibition on sale or transfer of options and vesting conditions.

Options granted as remuneration

	EXERCISE PRICE $	ISSUE DATE	EXPIRY DATE	ISSUED DURING THE YEAR	LAPSED DURING THE YEAR	NO. OF OPTIONS OUTSTANDING AT 31 DEC 2011	VESTED DURING THE YEAR	NO. OF OPTIONS VESTED AT 31 DEC 2011
Directors								
W R Bucknell	0.155	29 Aug 08	28 Aug 12	–	–	2,000,000	–	2,000,000
Executives								
A A Pilkington	0.15	03 Mar 10	14 Oct 12	–	–	400,000	–	400,000

No options granted as remuneration were forfeited during the period.

Options acquired as part of an issue to all shareholders

	EXERCISE PRICE $	ISSUE DATE	EXPIRY DATE	OPTIONS EXERCISED	OPTIONS LAPSED	NO. OF OPTIONS OUTSTANDING AT 31 DEC 2011
Directors						
R J Hawkes	0.08	11 May 09	31 Jan 11	–	(125,000)	–
W R Bucknell	0.08	11 May 09	31 Jan 11	(12,761)	–	–
R H N Symons	0.08	11 May 09	31 Jan 11	(3,500)	–	–

Ordinary shares held by directors and executives

	BALANCE AT 1 JAN 2011	GRANTED AS COMPENSATION	EXERCISE OF OPTIONS	PURCHASE OF SHARES	BALANCE AT 31 DEC 2011
Fully paid ordinary shares					
Directors					
R J Hawkes	27,256,561	–	–	–	27,256,561
W R Bucknell	5,901,718	–	12,761	375,000	6,289,479
R H N Symons	290,000	–	3,500	200,000	493,500
Partly paid ordinary shares					
Directors					
R J Hawkes	5,750,000	–	–	–	5,750,000
W R Bucknell	1,036,860	–	–	–	1,036,860
R H N Symons	–	–	–	–	–

Directors' interests

The relevant interest of each Director in the share capital of the companies within the Consolidated Entity as notified by the Directors to the Australian Stock Exchange in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	FULLY PAID SHARES	PARTLY PAID SHARES	OPTIONS
Mr R J Hawkes	27,256,561	5,750,000	–
Mr W R Bucknell	6,289,479	1,036,860	2,000,000
Mr R H N Symons	493,500	–	–

[End of Audited Remuneration Report]

Directors' report

Indemnification and insurance of officers and auditors

The Company has entered into an agreement to indemnify the following current Directors of the Company, Mr Ronald J Hawkes, Mr Walter R Bucknell and Mr Robert H N Symons, and the Company Secretary, Ms Julie Fidler against any liability, including costs and expenses incurred in defending such actions, incurred by that person that may arise from their position as Directors or officers of the Company and its Controlled Entities, except where the liability arises out of conduct involving a lack of good faith.

During the year to 31 December 2011 the Company has paid insurance premiums in respect of the Directors and officers liability and legal expenses insurance contracts for current Directors and officers of the Company and its Controlled Entities. The insurance policy prohibits disclosure of the amount of the premium and of the nature of the liabilities covered.

During the year, the Company entered into an agreement with their current auditors, KPMG, indemnifying them against any claims by third parties arising from their report on the Annual Financial Report, except where the liability arises out of conduct involving lack of good faith.

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

The lead auditor's independence declaration is set out on page 21 and forms part of the Directors' Report for the year ended 31 December 2011.

Signed in accordance with a resolution of the Board of Directors.

W R Bucknell, Director
Sydney, 26 March 2012

Lead auditor's independence declaration

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 audit for the financial year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Shane O'Connor
Partner

Sydney
26 March 2012

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	NOTE	CONSOLIDATED 2011 $	2010 $
Continuing operations			
Other income	*2*	4,884	6,877
Impairment of exploration assets	*2*	(615,658)	(114,450)
General and administrative expenses	*2*	(707,186)	(729,270)
Results from operating activities		(1,317,960)	(836,843)
Financial income		98,307	133,778
Financial expenses		(15)	(92)
Net finance income	*3*	98,292	133,686
Loss before income tax		(1,219,668)	(703,157)
Income tax expense	*4*	–	–
Loss for the year		(1,219,668)	(703,157)
Other comprehensive income			
Foreign currency translation differences for foreign operations		(297,933)	(905,532)
Net change in fair value of available for sale assets		(64,332)	(81,510)
Amortisation of option reserve		–	10,497
Other comprehensive loss for the year net of income tax		(362,265)	(976,545)
Total comprehensive loss for the year		(1,581,933)	(1,679,702)
Basic and diluted earnings per share (cents per share)	*5*	(0.25)	(0.16)

The consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

Consolidated statement of financial position

As at 31 December 2011

	NOTE	CONSOLIDATED 2011 $	2010 $
Current assets			
Cash and cash equivalents	*6*	1,473,999	4,145,389
Trade and other receivables	*7*	251,985	127,283
Prepayments	*8*	13,903	59,775
Total current assets		1,739,887	4,332,447
Non-current assets			
Receivables	*9*	124,564	29,513
Other financial assets	*10*	70,727	147,059
Property, plant and equipment	*11*	3,218,840	1,603,682
Exploration and evaluation assets – intangibles	*12*	18,580,710	14,788,890
Total non-current assets		21,994,841	16,569,144
Total assets		23,734,728	20,901,591
Current liabilities			
Trade and other payables	*13*	1,266,096	230,889
Employee benefits		190,000	164,800
Total current liabilities		1,456,096	395,689
Non-current liabilities			
Employee benefits		7,300	–
Total non-current liabilities		7,300	–
Total liabilities		1,463,396	395,689
NET ASSETS		22,271,332	20,505,902
Share capital	*14*	46,760,277	43,412,914
Reserves		(1,191,682)	(829,417)
Accumulated losses		(23,297,263)	(22,077,595)
TOTAL EQUITY		22,271,332	20,505,902

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

Consolidated statement of changes in equity

For the year ended 31 December 2011

CONSOLIDATED	SHARE CAPITAL $	FOREIGN CURRENCY TRANSLATION RESERVE $	FAIR VALUE RESERVE $	OPTIONS RESERVE $	RETAINED EARNINGS $	TOTAL EQUITY $
2011						
Balance 1 January 2011	43,412,914	(1,272,976)	15,990	427,569	(22,077,595)	20,505,902
Total comprehensive income for the period						
Loss for the period	–	–	–	–	(1,219,668)	(1,219,668)
Other comprehensive income						
Foreign currency translation differences	–	(297,933)	–	–	–	(297,933)
Net change in fair value of available for sale assets	–	–	(64,332)	–	–	(64,332)
Total other comprehensive income		(297,933)	(64,332)	–	(1,219,668)	(1,581,933)
Total comprehensive income for the period		(297,933)	(64,332)	–	(1,219,668)	(1,581,933)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Share options exercised	4,247	–	–	–	–	4,247
Placements	1,624,627	–	–	–	–	1,624,627
Proceeds of Share Purchase Plan	1,757,004	–	–	–	–	1,757,004
Costs of issues	(38,515)	–	–	–	–	(38,515)
Total contributions by and distributions to owners	3,347,363	–	–	–	–	3,347,363
Total transactions with owners	3,347,363	–	–	–	–	3,347,363
Balance 31 December 2011	46,760,277	(1,570,909)	(48,342)	427,569	(23,297,263)	22,271,332
2010						
Balance 1 January 2010	39,995,803	(367,444)	97,500	417,072	(21,374,438)	18,768,493
Total comprehensive income for the period						
Loss for the period	–	–	–	–	(703,157)	(703,157)
Other comprehensive income						
Foreign currency translation differences	–	(905,532)	–	–	–	(905,532)
Net change in fair value of available for sale assets	–	–	(81,510)	–	–	(81,510)
Options issued	–	–	–	10,497	–	10,497
Total other comprehensive income	–	(905,532)	(81,510)	10,497	(703,157)	(1,679,702)
Total comprehensive income for the period		(905,532)	(81,510)	10,497	(703,157)	(1,679,702)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Share options exercised	80	–	–	–	–	80
Placements	3,450,977	–	–	–	–	3,450,977
Costs of issues	(33,946)	–	–	–	–	(33,946)
Total contributions by and distributions to owners	3,417,111	–	–	–	–	3,417,111
Total transactions with owners	3,417,111	–	–	–	–	3,417,111
Balance 31 December 2010	43,412,914	(1,272,976)	15,990	427,569	(22,077,595)	20,505,902

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

Statements of cash flows

For the year ended 31 December 2011

	NOTE	CONSOLIDATED 2011 $	2010 $
Cash flows from operating activities			
Payments to suppliers and employees		(603,662)	(794,121)
Interest received		98,307	133,778
Interest paid		(15)	(92)
Net cash used in operating activities	*16(b)*	(505,370)	(660,435)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,649,788)	(982,084)
Payments for exploration and evaluation assets		(3,742,499)	(2,799,515)
Payments for investments		(95,662)	–
Sale of available for sale financial asset		12,000	34,576
Net cash used in investing activities		(5,475,949)	(3,747,023)
Cash flows from financing activities			
Proceeds from placements		1,624,627	3,450,977
Proceeds from exercise of options		4,247	80
Proceeds from Share Purchase Plan		1,757,004	–
Payment for share issue costs		(38,515)	(33,946)
Net cash from financing activities		3,347,363	3,417,111
Net increase/(decrease) in cash and cash equivalents		(2,633,954)	(990,347)
Cash and cash equivalents at beginning of period		4,145,389	5,179,769
Effect of exchange rate fluctuations on cash held		(37,436)	(44,033)
Cash and cash equivalents at end of period	*16(a)*	1,473,999	4,145,389

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 26 to 43.

Notes to the financial statements

For the year ended 31 December 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Atlantic Gold NL ('Company') is a for-profit company domiciled in Australia. The consolidated financial report of the Company for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity').

a. Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors as at the date of the Directors' Report.

b. Basis of preparation

The financial report is prepared on the historical cost basis except for available for sale financial assets which are measured at fair value. The consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Exploration and evaluation expenditure has been incurred in respect of projects which have yet to reach a stage of development where a determination of technical feasibility and commercial viability of the project can be assessed on a comprehensive basis. In these circumstances, the directors have used their experience to determine whether there is any indication that these assets has been impaired and have concluded that there are currently no such indications.

The accounting policies have been applied consistently by the consolidated entity.

The Consolidated Entity has applied amendments to the Corporations Act (2001) that remove the requirement for the Consolidated Entity to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 17.

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 equity raisings (including the issue of shares to existing shareholders and public placements of new shares) or using other asset exploitation arrangements, such as farm-out, joint venture or sale.

d. Basis of consolidation

Controlled Entities

The financial statements of Controlled Entities are included from the date control commences until the date control ceases.

Joint ventures

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

The Consolidated Entity's interest in jointly controlled operations and assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs and its share of income it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Unrealised gains and losses and intragroup balances resulting from transactions with or between Controlled Entities are eliminated in full on consolidation. Unrealised gains resulting from transactions with jointly controlled entities are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to jointly controlled entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

f. Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted.

The partly paid shares are classified as 'ordinary shares' for the purpose of calculating earnings per share.

g. Employee benefits

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the year end, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on current remuneration and salary rates that the Consolidated Entity expects to pay as at the reporting date including related on-costs.

Superannuation

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the consolidated statement of comprehensive income as incurred.

Long-term service benefits

The Consolidated Entity's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the date of the consolidated statement of financial position which have maturity dates approximating to the terms of the Consolidated Entity's obligation.

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

h. Exploration and evaluation expenditure

Pre-licence costs are recognised in the consolidated statement of comprehensive income as incurred.

Exploration and evaluation expenditure, including the costs of acquiring licences, are capitalised either as tangible or intangible depending on their nature on a project by project basis pending determination of technical feasibility and commercial viability. 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 consolidated statement of comprehensive income immediately.

Exploration and evaluation assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Unlike other assets, there is no requirement to assess whether an indication of impairment exists at each reporting date until an entity has sufficient information to reach a conclusion about commercial viability and the feasibility of extraction.

Notes to the financial statements

For the year ended 31 December 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued:

i. 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.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity.

Hedging

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

Foreign controlled entities

Foreign operations' assets and liabilities are translated into Australian currency at rates of exchange current at reporting date, while its revenues and expenses are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are recognised directly in equity.

j. 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 taxation authority. 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 taxation authority is included as a current asset or liability in the consolidated statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

k. Determination of fair values

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. For short dated receivables the carrying value approximates fair value.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of employee stock options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using a binominal option pricing model which takes into account the share price at time of issue and expected volatility of the underlying share, the exercise price and term of the option, the risk free interest rate and expected dividends, adjusted to reflect the prohibition on sale or transfer of options and vesting conditions. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

l. Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in the consolidated statement of comprehensive income.

Non-financial assets

The carrying amounts of the Consolidated Entity's non-financial assets, other than deferred tax assets (refer note 1m), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued:

m. Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of cash dividends are recognised at the same time that the liability to pay the related dividend is recognised. The Group does not distribute non-cash assets as dividends to its shareholders.

The Company and its wholly-owned Australian resident entities are part of a tax consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Atlantic Gold NL.

n. Investments

Controlled entities

Investments in Controlled Entities are carried in the Company's financial statements at cost less any impairment.

o. Leased assets

Lease payments made under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are recognised in the consolidated statement of comprehensive income on a straight line basis over the term of the lease.

p. Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income and foreign exchange gains and losses that are recognised in the consolidated statement of comprehensive income.

Interest income is recognised in the consolidated statement of comprehensive income as it accrues, using the effective interest method.

q. Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition they are stated at amortised cost.

r. Non-derivative financial instruments

Available-for-sale financial assets

The Consolidated Entity's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 1l), are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss.

s. Property, plant and equipment

All assets acquired including property, plant and equipment are stated at cost or deemed cost of acquisition at the date of acquisition less accumulated depreciation and any impairment losses (refer note 1l).

Depreciation

Depreciation is charged to the consolidated statement of comprehensive income. All assets have limited useful lives and are depreciated using the straight line method over their useful lives. Depreciation methods and useful lives, as well as residual values, are reassessed annually. Assets are depreciated from the date they are available for use. Land is not depreciated.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment	20–40%
Leasehold improvements	10%

t. Provisions

A provision is recognised in the consolidated statement of financial position when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

u. Segment reporting

The Consolidated Entity determines and presents operating segments based on information that internally is provided to the Executive Director, who is the Consolidated Entity's chief operating decision maker. The Consolidated Entity has determined that it has only one operating segment, being exploration and development of the Consolidated Entity's properties in Nova Scotia, Canada. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

v. Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (refer note 1l).

w. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

x. Reserves

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

Options reserve

The option reserve comprises the fair value of options granted to directors and employees meeting vesting conditions as well as the fair value of options granted in relation to financial liabilities representing transaction costs.

y. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Consolidated Entity, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Consolidated Entity's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Consolidated Entity does not plan to adopt this standard early and the extent of the impact has not been determined.

Notes to the financial statements

For the year ended 31 December 2011

	CONSOLIDATED 2011 $	CONSOLIDATED 2010 $
NOTE 2: LOSS BEFORE TAX		
Loss from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:		
Exploration expenditure written off [1]	615,658	114,450
Profit on disposal of available for sale financial asset	(4,884)	(6,877)

Note 1: On the basis of reconnaissance exploration, regional exploration titles are retained or turned over and new claims pegged or acquired. Expenditure on surrendered or lapsed claims is written off.

	2011 $	2010 $
General and administrative expenses		
Administrative costs	264,229	191,827
Amounts set aside to provision for employee benefits	32,500	37,100
Corporate costs	108,134	247,221
Depreciation and amortisation expense	16,980	5,219
Employee and Director benefits expense	52,508	29,331
Superannuation	111,496	94,740
Net loss on disposal of investments	–	3,264
Occupancy expense	27,588	35,878
Other expenses from ordinary activities	93,751	84,690
	707,186	729,270

NOTE 3: FINANCIAL INCOME AND EXPENSES

	2011 $	2010 $
Financial income	98,307	133,778
Financial expenses	(15)	(92)
Net financial income and expenses	98,292	133,686

Financial income relates to interest received from term deposits.
Financial expenses comprise interest payments.

NOTE 4: INCOME TAX EXPENSE

	2011 $	2010 $
Numerical reconciliation between tax benefit and pre-tax net loss		
Loss before tax	(1,219,668)	(703,157)
Total income tax benefit calculated at 30%	(365,900)	(210,947)
Increase in income tax expense due to:		
Other non-allowable items	619	3,672
	(365,281)	(207,275)
Deferred tax asset not brought to account	365,281	207,275
Income tax expense on pre-tax loss	–	–

	2011 $	2010 $
Recognised tax assets and liabilities		
Deferred tax assets and liabilities are attributable to the following:		
Exploration and evaluation expenditure	999,845	827,849
Provisions	(59,190)	(49,440)
Other	(89,074)	(301,464)
Tax benefit/(loss) carry-forwards	(851,581)	(476,945)
Net deferred tax liability/(asset)	–	–

	CONSOLIDATED	
	2011	2010
	$	$
Deferred tax asset not taken to account		
Tax losses carried forward:		
Tax losses	5,442,688	6,145,134
Deductible temporary differences	(851,581)	(476,945)
	4,591,107	5,668,189

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits therefrom.

NOTE 5: EARNINGS/(LOSS) PER SHARE

Classification of securities as ordinary shares

Ordinary fully paid shares and partly paid shares have been included in basic and dilutive ordinary earnings per share.

Basic and diluted earnings per share

	2011	2010
	$	$
Net loss attributable to ordinary shareholders (basic)	(1,219,668)	(703,157)

	2011	2010
	NO.	NO.
Weighted average number of shares		
Issued ordinary shares at 1 January	453,599,846	425,118,911
Effect of shares issued in first quarter	41,945	–
Effect of shares issued in second quarter	23,147,180	–
Effect of shares issued in third quarter	14,070,097	–
Effect of shares issued in fourth quarter	–	8,239,283
	490,859,068	433,358,194
Basic and dilutive ordinary earnings per share	(0.25 cents)	(0.16 cents)

NOTE 6: CASH AND CASH EQUIVALENTS

	2011	2010
	$	$
Cash at bank	312,390	1,475,542
Bank short term deposits	1,161,609	2,669,847
	1,473,999	4,145,389

NOTE 7: TRADE AND OTHER RECEIVABLES

Other receivables	200,266	94,203
Security deposits	51,719	33,080
	251,985	127,283

NOTE 8: OTHER CURRENT ASSETS

Prepayments – Insurance	13,903	59,775

NOTE 9: NON-CURRENT RECEIVABLES

Touquoy reclamation bond	124,564	29,513

NOTE 10: OTHER FINANCIAL ASSETS

Available for sale financial assets	70,727	147,059

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED 2011 $	2010 $
Land		
Land at cost	2,996,492	1,427,371
Surface title purchase deposits	140,132	145,064
	3,136,624	1,572,435
Plant and equipment		
At cost	97,021	89,652
Accumulated depreciation	(59,789)	(58,405)
	37,232	31,247
Intangibles		
At cost	964	–
Accumulated depreciation	–	–
	964	–
Leasehold improvements		
At cost	45,295	6,784
Accumulated amortisation	(1,275)	(6,784)
Total leasehold improvements	44,020	–
Total property, plant and equipment	3,218,840	1,603,682

Reconciliations

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

	2011 $	2010 $
Land		
Carrying amount at beginning of year	1,572,435	663,468
Effect of movement in exchange rates	(32,570)	(51,759)
Additions	1,596,759	960,726
Carrying amount at end of year	3,136,624	1,572,435
Plant and equipment		
Carrying amount at beginning of year	31,247	8,541
Effect of movement in exchange rates	(73)	(406)
Additions	26,541	28,319
Disposals	(595)	(155)
Depreciation	(19,888)	(5,052)
Carrying amount at end of year	37,232	31,247
Intangibles		
Carrying amount at beginning of year	–	–
Additions	964	–
Amortisation	–	–
Carrying amount at end of year	964	–
Leasehold improvements		
Carrying amount at beginning of year	–	–
Additions	45,295	–
Amortisation	(1,275)	–
Carrying amount at end of year	44,020	–

	CONSOLIDATED	
	2011	2010
	$	$

NOTE 12: EXPLORATION AND EVALUATION ASSETS – INTANGIBLES

	2011 $	2010 $
Costs carried forward in respect of areas of interest in:		
Exploration in Nova Scotia, Canada	8,025,291	5,109,113
Evaluation Touquoy and Cochrane Hill Gold Projects	10,555,419	9,679,777
	18,580,710	14,788,890

Reconciliations

	2011 $	2010 $
Carrying amount at the beginning of year	14,788,890	12,937,145
Effect of movement in exchange rates	(167,962)	779,279
Expenditure incurred during current year	4,575,440	1,186,916
Less impairment	(615,658)	(114,450)
Carrying amount at the end of year	18,580,710	14,788,890

NOTE 13: TRADE AND OTHER PAYABLES

	2011 $	2010 $
Trade payables	1,232,513	198,767
Other payables	33,583	32,122
	1,266,096	230,889

NOTE 14: CONTRIBUTED EQUITY

	2011 $	2010 $
530,070,578 (2010: 453,599,846) fully paid ordinary shares	44,028,450	40,681,087
30,286,342 (2010: 30,286,342) partly paid ordinary shares	2,731,827	2,731,827
	46,760,277	43,412,914

	FULLY PAID ORDINARY SHARES		PARTLY PAID ORDINARY SHARES	
	2011	2010	2011	2010
	NO.	NO.	NO.	NO.
Shares on issue at the beginning of the year	453,599,846	394,832,569	30,286,342	30,286,342
Issue of shares on exercise of options	53,091	1,002	–	–
Placements	32,492,534	58,766,275	–	–
Share Purchase Plan	43,925,107	–	–	–
	530,070,578	453,599,846	30,286,342	30,286,342

Holders of ordinary shares are entitled to receive dividends as declared from time to time irrespective of the amounts paid or credited as paid on the shares. Holders of fully paid ordinary shares are entitled on a show of hands to one vote for each fully paid share held. Holders of partly paid ordinary shares are entitled on a show of hands to one vote, 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 held.

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.

The Company does not have authorised capital or par value in respect of its issued shares.

NOTE 15: OPTIONS

EXPIRY DATE	EXERCISE PRICE	OUTSTANDING AT 31 DEC 2010	ISSUED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	OUTSTANDING AT 31 DEC 2011 [1]
Listed						
31 January 2011	$0.08	24,143,136	–	(53,091) [2]	(24,090,045)	–
Unlisted						
28 August 2012	$0.155	2,000,000	–	–	–	2,000,000
14 October 2012	$0.15	400,000 [3]	–	–	–	400,000
		26,543,136	–	(53,091)	(24,090,045)	2,400,000

Note 1 All options oustanding at 31 December 2011 are exercisable by their expiry dates. No options were forfeited during the period.
Note 2 The share price on the exercise date was 5.1 cents.
Note 3 For further detail please refer to the Remuneration Report contained in the Directors' Report.

NOTE 16: NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the consolidated statement of financial position as follows:

	CONSOLIDATED 2011 $	2010 $
Cash at bank	312,390	1,475,542
Bank short term deposits	1,161,609	2,669,847
	1,473,999	4,145,389

(b) Reconciliation of loss after income tax to net cash used in operating activities

	2011 $	2010 $
Loss from ordinary activities after income tax	(1,219,668)	(703,157)
Add/(less) non-cash items:		
Effect of movement in exchange rates	(37,936)	(120,258)
Amortisation	1,275	–
Depreciation	15,705	5,052
Amounts set aside to provisions	32,500	37,100
Impairment of exploration expenditure	615,658	114,450
Value of director and employee options granted	–	10,497
Loss on sale of non-current assets	–	3,264
Gain on sale of non-current assets	(4,884)	(6,877)
Unrealised foreign exchange	38,800	123,511
Changes in assets and liabilities, net of the effects of purchase and disposal of Controlled Entities during the financial year:		
(Increase)/decrease in receivables	(3,595)	(14,810)
(Increase)/decrease in prepayments	45,003	(14,940)
Increase/(decrease) in payables	11,772	(94,267)
Net cash used in operating activities	(505,370)	(660,435)

NOTE 17: PARENT ENTITY DISCLOSURES

	COMPANY	
	2011	2010
	$	$
Current assets	1,244,989	2,851,046
Total assets	22,517,262	20,731,935
Current liabilities	136,230	136,131
Total liabilities	245,930	226,031
Issued capital	46,760,277	43,412,914
Reserves	427,569	427,569
Retained losses	(23,334,580)	(21,644,382)
Loss for the year	(1,581,934)	(1,690,198)
Other comprehensive income	–	10,497
Total comprehensive income	(1,581,934)	(1,679,701)

NOTE 18: COMMITMENTS

Operating Lease Commitments

The Consolidated Entity leases property and equipment. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are re-negotiated.

	CONSOLIDATED	
	2011	2010
	$	$
Future operating lease commitments not provided for in the financial statements and payable:		
within 1 year	26,973	2,480
greater than 1 year and less than 5 years	34,979	–
	61,952	2,480

Exploration Tenement Commitments

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay in the year ending 31 December 2012 an amount of approximately $10,524 (2011: $17,886) in respect of exploration expenditure.

NOTE 19: CONTINGENT LIABILITIES

Native title

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 or other relevant authority 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 20: SEGMENT INFORMATION

During the year the Consolidated Entity operated in one operating segment being precious mineral exploration in Nova Scotia, Canada.

	PRECIOUS MINERAL EXPLORATION		UNALLOCATED AMOUNTS		CONSOLIDATED	
	2011	2010	2011	2010	2011	2010
	$	$	$	$	$	$
Impairment of exploration assets	(615,658)	(114,450)	–	–	(615,658)	(114,450)
Corporate expenses	–	–	(707,186)	(729,270)	(707,186)	(729,270)
Profit from sale of other assets	4,884	6,877	–	–	4,884	6,877
Financial income	–	–	98,307	133,778	98,307	133,778
Financial expenses	–	–	(15)	(92)	(15)	(92)
Net financing income	–	–	98,292	133,686	98,292	133,686
Loss before tax	(610,774)	(107,573)	(608,894)	(595,584)	(1,219,668)	(703,157)
Income Tax	–	–	–	–	–	–
Net Loss	(610,774)	(107,573)	(608,894)	(595,584)	(1,219,668)	(703,157)
Depreciation	15,703	5,219	1,277	–	16,980	5,219
Exploration expenditure written off	615,658	114,450	–	–	615,658	114,450
Segment Assets	22,489,739	18,050,545	1,244,989	2,851,047	23,734,728	20,901,592
Segment Liabilities	1,217,466	169,657	245,930	226,032	1,463,396	395,689
Capital expenditure	1,649,788	982,084	–	–	1,649,788	982,084

NOTE 21: INTEREST IN JOINT VENTURE OPERATIONS

As at 31 December 2011 Controlled Entities had interests in the following exploration joint ventures :

	CONSOLIDATED	
	2011	2010
	%	%
Touquoy – Moose River	60 (earning up to 75%)	60 (earning up to 75%)

Included in the assets and liabilities of the Consolidated Entity are the following items which represent the Consolidated Entity's interest in the assets and liabilities employed in the joint ventures:

	2011	2010
	$	$
Non-Current Assets		
Exploration and evaluation expenditure	13,386,329	12,487,579

NOTE 22: CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED 2011 %	2010 %
Particulars in relation to Controlled Entities			
Parent Entity			
Atlantic Gold NL	Australia		
Controlled Entities			
Atlantic Gold Exploration Pty Ltd	Australia	100	100
DDV Gold Limited	Canada	100	100

NOTE 23: KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration of specified directors and specified executives by the Consolidated Entity

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting and retaining appropriately qualified and experienced executives.

The aggregate sum that may be paid to non-executive directors is determined by a resolution of shareholders. The terms of employment for senior executives directly employed by the Company are unlimited in term, with statutory notice and termination provisions. Mr A A Pilkington was employed as a consultant to the Company under a contract which expired on 14 April 2009 and continued by mutual agreement from expiry until 29 January 2010. The contract provided for three months' notice or pro rata payment in lieu of notice.

The key management personnel remuneration comprised:

	CONSOLIDATED 2011 $	2010 $
Short term employment benefits	431,573	489,103
Post-employment benefits	38,842	36,150
Share based payments	–	10,497
	470,414	535,750

For further detail including options granted as remuneration please refer to the Remuneration Report contained in the Directors' Report.

NOTE 24: RELATED PARTIES

Directors

The names of each person holding the position of director of Atlantic Gold NL during the financial year are:

Ronald J Hawkes
Walter R Bucknell
Robert H N Symons

Robert H N Symons is an employee of Norton Rose Australia. During the financial year an amount of $38,754 (2010: $26,753) was paid to Norton Rose for the provision of legal services to the Consolidated Entity on normal commercial terms.

Details of directors' remuneration including options granted as remuneration are set out in note 23 and the Remuneration Report contained in the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

NOTE 24: RELATED PARTIES continued:

Directors' and Executive Officer's holdings of shares and share options

The aggregate interests of Directors and the Executive Officer of the reporting entity and their Director-related entities in shares and share options of entities within the Consolidated Entity at year end are set out below.

2011		HELD AT 1 JAN 2011	ACQUISITIONS[1]	EXERCISED	LAPSED	HELD AT 31 DEC 2011
Fully paid ordinary shares						
Directors	R J Hawkes	27,256,561	–	–	–	27,256,561
	W R Bucknell	5,901,718	387,761	–	–	6,289,479
	R H N Symons	290,000	203,500	–	–	493,500
Partly paid ordinary shares						
Directors	R J Hawkes	5,750,000	–	–	–	5,750,000
	W R Bucknell	1,036,860	–	–	–	1,036,860
	R H N Symons	–	–	–	–	–
Options						
Directors	R J Hawkes	125,000	–	–	125,000	–
	W R Bucknell	2,012,761	–	12,761	–	2,000,000
	R H N Symons	3,500	–	3,500	–	–

Note 1 Shares acquired as part of an offer to all shareholders and exercise of options.

2010		HELD AT 1 JAN 2010	ACQUISITIONS	EXERCISED	LAPSED	HELD AT 31 DEC 2010
Fully paid ordinary shares						
Directors	R J Hawkes	27,256,561	–	–	–	27,256,561
	W R Bucknell	5,901,718	–	–	–	5,901,718
	R H N Symons	290,000	–	–	–	290,000
Partly paid ordinary shares						
Directors	R J Hawkes	5,750,000	–	–	–	5,750,000
	W R Bucknell	1,036,860	–	–	–	1,036,860
	R H N Symons	–	–	–	–	–
Options						
Directors	R J Hawkes	1,125,000	–	–	(1,000,000)	125,000
	W R Bucknell	4,012,761	–	–	(2,000,000)	2,012,761
	R H N Symons	103,500	–	–	(100,000)	3,500

Non-Director related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	COMPANY 2011 $	COMPANY 2010 $
Controlled Entities		
The Parent Company provided management and related services to Controlled Entities	514,641	517,360
Balance of loans to Controlled Entities outstanding at year end	21,272,170	17,880,786
Impairment of loans during the year	788,901	195,847
Reconciliation of loans to Controlled Entities:		
Balance of loans to Controlled Entities at beginning of year	17,880,786	14,267,120
Increase in loans to Controlled Entities during the year	4,517,007	4,838,546
Effect of movement in exchange rates	(336,722)	(1,029,033)
Reversal/(impairment) of loans	(788,901)	(195,847)
Balance of loans to Controlled Entities outstanding at year end	21,272,170	17,880,786

All loans to Controlled Entities are unsecured and repayable on demand. The Company does not expect to call the loans within the next 12 months and classified these receivables as non-current.

	CONSOLIDATED	
	2011	2010
	$	$
NOTE 25: AUDITORS' REMUNERATION		
Audit services – KPMG	70,400	67,050
Taxation services – KPMG	6,869	18,043
	77,269	85,093

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

The Company, through its Canadian subsidiary DDV Gold Ltd, has submitted formal application to the Nova Scotia Minister of Natural Resources for vesting orders pursuant to provisions of the Mineral Resources Act in relation to the remaining 14 surface land titles to be acquired at the Touquoy Gold Project site. Notice of Application for Vesting Order has been posted by the Minister of Natural Resources in the Nova Scotia Chronicle Herald.

The Definitive Feasibility Study for the Touquoy Gold Project in Nova Scotia has been updated and re-affirms the robust viability of the Touquoy Gold Project.

The Company issued 25 million shares on 2 March 2012 pursuant to placements at 3 cents per share to raise $750,000.

On 9 March 2012, following a 3-day hearing, the Supreme Court of Nova Scotia declined Steeple Holdings Limited's application regarding the Cochrane Hill Gold Project. Subject to any appeal, the acquisition of the Cochrane Hill Project by DDV Gold Ltd should now proceed as previously agreed, with the final instalment to be paid in May 2012.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

NOTE 27: FINANCIAL INSTRUMENTS RISK EXPOSURES

Overview

The Consolidated Entity has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Consolidated Entity's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

The directors have overall responsibility for the establishment and oversight of the Consolidated Entity's risk management framework. Risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Consolidated Entity's activities.

NOTE 27: FINANCIAL INSTRUMENTS RISK EXPOSURES continued:

(a) Interest rate risk

The Consolidated Entity currently has no borrowings. The economic entity is exposed to the following interest rate risk on its financial assets and liabilities as summarised below:

2011	NON INTEREST BEARING	INTEREST BEARING	TOTAL CARRYING AMOUNT
Financial assets	$	$	$
Cash	243,451	1,230,548	1,473,999
Receivables	228,577	23,408	251,985
Total financial assets	472,028	1,253,956	1,725,984
Weighted average interest rate	–	3.90%	–
Financial liabilities			
Accounts payable	1,266,096	–	1,266,096
Weighted average interest rate	–	–	–
Net financial assets	(794,068)	1,253,956	459,888
2010			
Financial assets			
Cash	1,276,031	2,869,358	4,145,389
Receivables	156,796	–	156,796
Total financial assets	1,432,827	2,869,358	4,302,185
Weighted average interest rate	–	3.52%	–
Financial liabilities			
Accounts payable	230,889	–	230,889
Weighted average interest rate	–	–	–
Net financial assets	1,201,938	2,869,358	4,071,296

A change of 1% in interest rates would have increased or decreased equity by $12,540 (2010: $28,694).

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables from customers and investment securities.

Each current customer has been assessed as appropriate in respect of the Consolidated Entity's exposure to credit risk. Any new customer will be assessed for credit risk by management prior to entering into any transaction.

The Consolidated Entity held cash and cash equivalents of $1,473,999 (2010: $4,145,389). The majority of the cash and cash equivalents are held with major Australian and Canadian banks which directors have assessed as appropriate.

The maximum credit risk exposure of financial assets is represented by the carrying amounts of financial assets recognised in the consolidated statement of financial position net of any allowance for diminution in value.

(c) Market risk

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The directors continually monitor market risk.

(d) Other market price risk

Equity price risk arises from available for sale equity securities which were received in partial settlement of a sale of the Consolidated Entity's interest in exploration tenements. The equity securities are in an Australian Securities Exchange listed company and the current policy is to sell these securities at a profit in due course.

The carrying amount of financial assets and financial liabilities recorded in the financial statements represent their fair value. All financial instruments carried at fair value are based on quoted prices (unadjusted) in active markets for identical assets or liabilities and are considered level 1 of the fair value heirarchy.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes in the Consolidated Entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(f) Currency risk

The Consolidated Entity is exposed to currency risk on purchases and payables that are denominated in a current other than the respective functional currencies of the Company and its subsidiaries, namely the Australian dollar (AUD) and Canadian dollar (CAD). The currencies in which these transactions are primarily denominated are AUD and CAD. The Consolidated Entity does not hedge any of its foreign currency exposure. The directors regularly monitor and assess currency risk.

	CONSOLIDATED	
	2011 $ AUD	2010 $ AUD
Current assets/(liabilities) not effectively hedged:		
Cash held in Canadian dollars	243,451	1,321,747
Receivables in Canadian dollars	272,825	114,652
Accounts payable in Canadian dollars	(1,175,480)	(152,054)
Net assets/(liabilities) not effectively hedged	(659,204)	1,284,345

The average foreign exchange rate AUD/CAD used in 2011 was 1.0217 (2010: 0.9476). The exchange rate AUD/CAD at 31 December 2011 was 1.0380 (2010: 1.0165).

A strengthening of the Australian dollar against the Canadian dollar at 31 December 2011 would have increased equity by the amounts shown below. This analysis is based on foreign currency exchange variances which the Consolidated Entity considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 31 December 2010. A weakening of the Australian dollar against the Canadian dollar would have had an equal but opposite effect.

Net assets/(liabilities) not effectively hedged (1 cent strengthening)	(6,290)	12,511

(g) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The approach of the Consolidated Entity to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	CARRYING AMOUNT $	CONTRACTUAL CASH FLOW $	6 MONTHS OR LESS $
Consolidated			
31 December 2011			
Trade and other payables	1,266,096	1,266,096	1,266,096
31 December 2010			
Trade and other payables	230,889	230,889	230,889

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Directors' declaration

In the opinion of the Directors of Atlantic Gold NL (the Company):

1 the consolidated financial statements and notes and the Remuneration report in the Directors' report 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 31 December 2011 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3 The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the executive director and the chief financial officer for the financial year ended 31 December 2011.

4 The directors draw attention to note 1(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Walter R Bucknell
Director

Sydney, 26 March 2012

Independent auditor's report to the members of Atlantic Gold NL

Report on the financial report

We have audited the accompanying financial report of Atlantic Gold NL (the Company), which comprises the consolidated statement of financial position as at 31 December 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

1 the financial report of the Group is in accordance with the Corporations Act 2001, including:
   (a) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
   (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

2 the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to note 1(c) in the financial report 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 sufficient funds through equity raisings (including the issue of shares to existing shareholders and public placement of new shares) or using other asset exploitation arrangements, such as farm-out, joint venture or sale, a material uncertainty exists as to whether the company will be able to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Atlantic Gold NL for the year ended 31 December 2011, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Shane O'Connor
Partner

Sydney, 26 March 2012

Shareholder information

as at 30 March 2012

Substantial shareholders

	ORDINARY SHARES	PARTLY PAID SHARES
Au Mining Limited	113,196,186	–
Wapimala Pty Limited and associates	38,675,636	5,290,958
Cairnglen Investments Pty Ltd	33,643,912	–
Australian Pioneer Pty Ltd	30,372,136	–
Mr Ronald Joseph Hawkes	27,256,561	5,750,000

Distribution of shareholding

	NO. OF SHAREHOLDERS	
RANGE OF HOLDING	ORDINARY SHARES	PARTLY PAID SHARES
1 – 1,000	69	–
1,001 – 5,000	104	32
5,001 – 10,000	161	14
10,001 – 100,000	592	48
100,001 and over	444	37
	1,370	131

Shareholders with less than a marketable parcel	431

Voting rights

Holders of fully paid ordinary shares are entitled on a show of hands to one vote and on a poll to one vote for each fully paid share held. Holders of partly paid shares are entitled on a show of hands to one vote, 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 held. There are no voting rights attached to options for ordinary shares until the options have been exercised.

General

Atlantic Gold NL, incorporated and domiciled in Australia, is a publicly listed company limited by shares.
The Company's securities are listed on the Australian Stock Exchange Limited.
ASX code: ATV.
The Company Secretary is Julie Fidler.

Shareholder information

as at 30 March 2012

Twenty largest shareholders
Ordinary fully paid shares

RANK	NAME	NUMBER	PERCENTAGE
1	Au Mining Limited	113,196,186	20.39
2	Cairnglen Investments Pty Ltd	33,643,912	6.06
3	Australian Pioneer Pty Ltd	30,372,136	5.47
4	Wapimala Pty Limited	25,266,777	4.55
5	Regency Hallmarks Holdings Pty Ltd	18,942,393	3.41
6	Macquarie Bank Limited	15,548,074	2.80
7	Lonway Pty Limited	13,408,859	2.42
8	Forsyth Barr Custodians Limited	12,077,190	2.18
9	Ronald Joseph Hawkes	8,314,168	1.50
10	Funding Securities Pty Ltd	6,100,000	1.10
11	Rentier Investments Pty Ltd	5,623,675	1.01
12	Madam Biau Luan Tan	5,320,753	0.96
13	Century Three x Seven Resource Fund Inc.	4,673,534	0.84
14	Mr Donald Ross MacLeod and Ms Parry Imberlong	4,277,621	0.77
15	Dr Dean Andary	4,102,699	0.74
16	Philip Douglas Chisholm and Jutta Barbara Chisholm	4,000,000	0.72
17	National Australia Trustees Limited	3,745,000	0.67
18	HSBC Custody Nominees (Australia) Limited	3,698,002	0.67
19	Marketglobe (IOM) Limited	3,363,519	0.61
20	CRX Investments Pty Limited	3,185,348	0.57
	TOTAL	318,859,846	57.44

Percentage holding of twenty largest shareholders is 57.44%.

Total ordinary fully paid shares on issue at 30 March 2012: 555,070,578 shares.

Twenty largest shareholders
Ordinary partly paid shares

RANK	NAME	NUMBER	PERCENTAGE
1	Regency Hallmarks Holdings Pty Ltd	5,750,000	18.99
2	Wapimala Pty Limited	5,290,958	17.47
3	Rare Earths & Minerals Pty Ltd	2,046,300	6.76
4	Mr Brent David Connolly	1,904,639	6.29
5	Mr Nosherwan Byram Irani	1,263,500	4.17
6	Ms Antonia Louise Catto	1,046,582	3.46
7	Graham Charles Powell	1,015,000	3.35
8	Mrs Tahmina Choudhury	800,000	2.64
9	Brianna Holdings Pty Limited	755,600	2.49
10	Batoka Pty Ltd	680,259	2.25
11	Andamax Investments Pty Ltd	563,334	1.86
12	Dr Dean Andary	520,734	1.72
13	Marketglobe (IOM) Limited	466,667	1.54
14	Ms Annabel Peta Sophie Catto	450,480	1.49
15	Mrs Susan Holt	400,000	1.32
16	Marne Street Pty Ltd	400,000	1.32
17	Baytoni Pty Ltd	387,180	1.28
18	Callisten Pty Ltd	387,180	1.28
19	Mr Leon Trevelyan Mitchell	375,000	1.24
20	Mrs Liliana Teofilova	340,000	1.12
	TOTAL	24,843,413	82.03

Percentage holding of twenty largest shareholders is 82.03%.

Total ordinary partly paid shares on issue at 30 March 2012: 30,286,342 shares.

List of mining tenements

as at 30 March 2012

PROJECT	TENEMENT NUMBER	INTEREST
Nova Scotia, Canada		
Touquoy	1 Mineral Lease (8 km^2)	60%
	1 exploration licence (8 km^2)	60%
Reconnaissance	127 exploration licences (866 km^2)	100%
New South Wales		
Bingara	Exploration Licence 3325	10% NPI *
Monte Christo	Mineral Claim 194	10% NPI *

* 10% net profit interest reduces to 5% after $2 million has been received.

Corporate directory

Directors

Ronald J Hawkes
Non-Executive Chairman
Walter R Bucknell
Executive Director
Robert H N Symons
Non-Executive Director

Registered office and principal place of business

Suite 506 815 Pacific Highway
Chatswood NSW 2067 Australia
Ph: 02-9410 0993
Fax: 02-9410 0958

Solicitors

Norton Rose Australia
RACV Tower
485 Bourke Street
Melbourne Vic 3000

Company secretary

Julie Fidler

Website

www.atlanticgold.com.au

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

Share registry

Computershare Investor Services Pty Ltd
Level 3 60 Carrington Street
Sydney NSW 2000

Bankers

Westpac Banking Corporation
60 Martin Place
Sydney NSW 2000