

30 April 2007

Australian Stock Exchange Limited  
Company Announcements Office  
10<sup>th</sup> Floor, 20 Bridge Street  
SYDNEY NSW 2000

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

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### **HIGHLIGHTS**

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

##### **PERMITTING**

- Formal Environmental Assessment Registration Document (EARD) submitted to provincial and federal regulators.
- Nova Scotia Minister of Environment and Labour determines that *“the adverse effects or significant environmental effects which may be caused by the undertaking are limited and that a focus report is required.”* Focus report is to be specific.
- Minister has neither moved the Project to a federal review nor to a comprehensive report level.
- Focus report to be prepared concurrently with Industrial Approval documentation, presently in progress.

##### **FEASIBILITY STUDY**

- Initial engineering and cost estimation to feasibility study standard by Study Manager, Ausenco Limited, is now substantially complete.
- Base case is viable, but decision made to enhance economics with used plant and upgrade of Inferred Resources.
- Minimal project delay as acquisition of used plant and Inferred Resource upgrade can run concurrently with completion of permitting.
- Financial study in preparation and expected to provide for interim financing to cover used plant acquisition and resource upgrade.

## EXPLORATION

- Three more diamond core holes drilled to test strong geochemical anomaly at Touquoy West. Results pending.
- Also at Touquoy West, mapping, prospecting and re-logging of recently located historic drill core in progress – as basis for coverage by interface drill program.
- Three diamond core holes drilled on Caribou Joint Venture to test two target areas. Results pending.

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

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

## PROJECT PERMITTING

Following almost six months of detailed preparation in collaboration with ATV's environmental consultants, Conestoga Rovers and Associates (CRA), the formal Environmental Assessment Registration document (EARD) was submitted to the Minister of the Nova Scotia Department of Environment and Labour (NSEL) in mid-March. The EARD is the first and most comprehensive, of three phases of permitting which are intended to be completed concurrent with the feasibility study. The other two phases of permitting are the Industrial Approval and the Mining Lease.

As previously reported the Minister responded on 11 April and advised that *"the environmental assessment of the proposed Touquoy Gold Project has been completed"*. He *"determined that a review of the information indicates that the adverse effects or significant environmental effects which may be caused by the undertaking are limited and that a focus report is required."*

Significantly, the Minister further advised that the report should be very specific. He says *"The focus report shall examine potential impacts of the proposed Touquoy Gold Project on the recreational, wilderness, and ecological value of the Scraggy Lake, Fish River, and Moose River system and undeveloped lands lying south-west of the project site."*

The Minister has *"recommended that DDV Gold Ltd (ATV) work with NSEL's Protected Areas Branch and other stakeholders in preparing the focus report"*.

ATV has been advised by CRA that the Focus Report process could take approximately four months including a Public Review period of 30 days, to complete. This undertaking will involve agreement with NSEL on the Terms of Reference for the report, preparation of the Focus Report with NSEL, and Public and NSEL Review.

Encouragingly the Minister has neither moved the Touquoy Gold Project to a federal review nor moved it to a comprehensive report level. ATV views this as a very positive result.

With the terms of reference for the report to be settled in the next week the Focus Report will then be prepared concurrently with the Industrial Approval documentation.

## **FEASIBILITY STUDY**

Initial engineering and cost estimation to feasibility study standard by the study manager, Ausenco Limited, is now substantially complete. This work has been undertaken in close collaboration with ATV's Project Manager, Mr Peter Carter. Base case for the study assumes a new 1.5 M tpa processing plant and, as is mandatory, Reserves based on Measured and Indicated Resources only. Indications derived from financial modelling presently in progress are that this base case, although viable, would be made more financially attractive by incorporating used plant and/or a reserve increase by conversion of the existing Inferred Resources into Measured and Indicated Resources.

Ausenco has therefore been directed to complete the work as an "Engineering and Cost Study" (ECS) ahead of a full Feasibility Study to allow ATV to secure as much used plant equipment as possible and to convert, by infill drilling, the remaining in-pit Inferred Resources – approximately 80,000 ounces – to Measured and Indicated Resources. Completion of the ECS is expected by the end of May. Following the acquisition of used plant and/or upgrade of the Inferred Resources the ECS can be readily combined with the reports generated for the various other technical disciplines (pit geotechnical, geohydrological, tailings management design and so on) to complete the Feasibility Study.

ATV is presently negotiating purchase of a used ball mill and upon advice from its agents, is confident that such additional used plant as would further reduce capital costs to attractive levels can be acquired in the next several months. Upgrade of the existing in-pit Inferred Resources to Measured and Indicated Resources will require a further 90 diamond drillholes for 6,000 m and is expected to take about four months for completion.

In the meantime ATV is undertaking an interim financial study based on the preliminary results of the ECS. It is anticipated that the results of this financial study will enable ATV to obtain financing for acquisition of the requisite used plant and a drilling program to upgrade the in-pit Inferred Resources required for conversion to reserves. While estimations are not complete and further details are required, indications are that taking into account the current gold price, acquisition of the used plant, associated engineering and construction modifications being considered, and conversion of existing Inferred Resources to Indicated and Measured Resources, it would be reasonable to suggest that the Feasibility Study will forecast ATV's target internal rate of return for the Project of over 30%.

It should be noted that these activities will not necessarily delay the project as they can be conducted concurrently with finalisation of the project permitting. These activities are part of the project implementation plan regardless of the new needs of the project, and completion prior to final feasibility will reduce project risk and therefore the cost of financing which will still cover the bulk of the project cost.

The present capital cost estimate for the project is significantly higher than that estimated for the 2004 scoping study owing to increases in the price of labour, basic materials, and capital equipment, and with consideration for an owner-operated mining fleet instead of the contract mining scenario previously contemplated. These increases, together with increases in operating cash costs, have effectively offset increased revenues derived from higher gold prices. It is a testament to the robust nature of the project that its economics remain fundamentally sound albeit under somewhat changed conditions.

### *Trial Grade Control*

An initial trial grade control drilling program comprising 25 vertical reverse circulation holes totalling 880 m was drilled last quarter on a coarse 10 m x 20 m pattern over a selected area in the western part of the deposit. Using 0.6 g/t gold cut-off and minimum 3 m mining width the mineralised intersections from the grade control dataset aggregate 225 m at 2.31 g/t gold compared to an aggregate 192 m at 2.06 g/t gold from the original more widely spaced diamond drillholes. Given the relatively widely spaced grade control pattern and the relatively small volume of mineralised ore tested no conclusive projections or extrapolations to the resource as a whole can be made at this time. As was understood at the outset of this program, additional orientation grade control testing a larger volume of ore on a tighter drill pattern will be required to confidently appreciate ore distribution at a mining scale.

## **EXPLORATION**

The Touquoy West prospect is a very compelling bedrock gold geochemical anomaly. It is located in argillites (Touquoy host rocks) about 500 m almost directly along strike westwards from the Touquoy deposit itself (refer to accompanying plan) in an area generally south of, and untested by, previous (late 1980s) diamond drilling. It was identified last August over 600 m strike length by reconnaissance RC interface drilling beneath 10–20 m of transported overburden (till), with gold returns – up to 2.6 g/t over 8 m – highly anomalous in relation to ATV's regional drilling elsewhere.

Two angled diamond drillholes, MR-06-130 and 131, were subsequently drilled as an initial test of this zone though the mineralisation intersected was patchy (up to 17.3 g/t over 1.25 m) and generally not reflective of mineralisation expected from the widespread results apparent in the interface drilling.

Three follow-up diamond core holes for 258 m were therefore drilled during the present Quarter. Hole MR-07-134 is a 400 m step-out along strike to the east of the previous drilling and MR-07-133 is a short hole testing directly beneath strong interface drilling results. Both holes intersected intervals of argillite of approximately 25 m width with associated quartz veining and carbonate alteration together with variable sulphide contents.

Towards the west the anomalous zone approaches an area of diamond drilling by previous explorers, where two holes reportedly intersected shallow mineralisation - MR-87-097 cut 4.3 g/t gold over 5.2 m from 66 m depth and MR-87-113 cut 4.1 g/t over 4.9 m from 53 m depth. Since core from these holes have not been located hole MR-07-132 was drilled between these two holes to evaluate this mineralisation. Broad intervals of quartz veining with associated sulphides and carbonate alteration hosted in both greywacke and argillite were intersected. Assays from all three holes are pending.

With Spring conditions arriving early a field crew is presently engaged in mapping and prospecting the general Touquoy West area from the Touquoy deposit west to the property boundary, a distance of 3.5 km. As well as leading to a more informed understanding of the geology this work will enable effective design of a grid-controlled interface drilling program planned to fully scope the extent of gold mineralisation in this general locale west along strike from Touquoy. This work will also incorporate selective re-logging of recently located drill core from 28 holes drilled in 1986 on the satellite Higgins & Lawlor deposit.

## **NEAR MINE EXPLORATION**

### ***Caribou Joint Venture***

*(Atlantic Gold 50%, Acadian Gold Corporation 50%)*

The Caribou Joint Venture Property, located about 9 km north of the Touquoy Gold Project, covers the northeast trending Caribou Anticline along which over 90,000 oz gold was produced during 1869–1947 from high grade quartz veins. The Caribou Dome is apparent along the anticline as a central, elliptically shaped dome of greywackes (Goldenville Formation) flanked by overlying shales (Halifax Formation). The western end of the Dome in the McLeod Lake area is the focus of present investigations where two specific targets were previously identified.

The first of these is a +500 m-long zone along the anticlinal axis and within the overlying shales where shallow reconnaissance RC drilling has shown these shales to be strongly sulphidic, carbonate altered and variously gold-anomalous – similar to those immediately along strike from the Touquoy Gold Deposit.

Two diamond core holes, CM-07-004 and 005, for 302 m were drilled across the anticlinal axis to investigate this zone (their oblique orientation predicated on site access – see accompanying plan). Hole CM-07-004 intersected 100 m of

carbonate-altered, variously sulphidic, quartz-veined shales – with visible gold identified within both quartz veins and shale at 67 m depth – before passing into greywacke. Hole CM-07-005 remained within carbonate-altered shale.

The second target is a +500 m-long mineralised quartz breccia which cross-cuts both the shales and greywacke and from which an intersection of 3.82 g/t gold over 4 m from 18 m depth was cut in shallow RC drilling in late 2006. Hole CM-07-006 was drilled to test this breccia about 100m northwest along strike from this earlier intersection. A 10 m wide quartz breccia representing the targeted unit was intersected from 80 m depth.

Assays from all three holes are awaited.

## **REGIONAL EXPLORATION**

No field activities were undertaken in the present quarter.

## **OTHER PROJECTS**

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

At the Butterfly North prospect high gold grades over broad intervals had been intersected in previous years in RAB and RC drillholes within a surface footprint of about 50m square. Intersections from closely spaced holes include 24.1 g/t over 8 m from 32 m, 4.1 g/t over 28 m from 2 m, 7.1 g/t over 8 m from 28 m, and in hole DVRC0097, 3.6 g/t over 36 m from 35 m depth with strong associated alteration. Several other holes cut mineralisation in excess of 50 gram x metres. Grade continuity between drillholes however is poor. Host rock is a contact zone between strongly altered magnetic dolerite and granodiorite. Magnetic modelling suggested a sharp, gently dipping discontinuity at 400 m depth from which this mineralisation may have been sourced.

Hole DVRC0097 was therefore deepened from its existing depth 156 m to 501 m depth by the Joint Venture to test this hypothesis. A sequence of dolerite, magnetic dolerite and granodiorite units was intersected with alteration in the diamond tail generally much weaker than in the RC precollar, and with a best assay of 2.6 g/t over 4 m from 290 m. No further work is planned at Butterfly North.

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

Yours faithfully



**W R Bucknell**

### ***About Atlantic Gold NL***

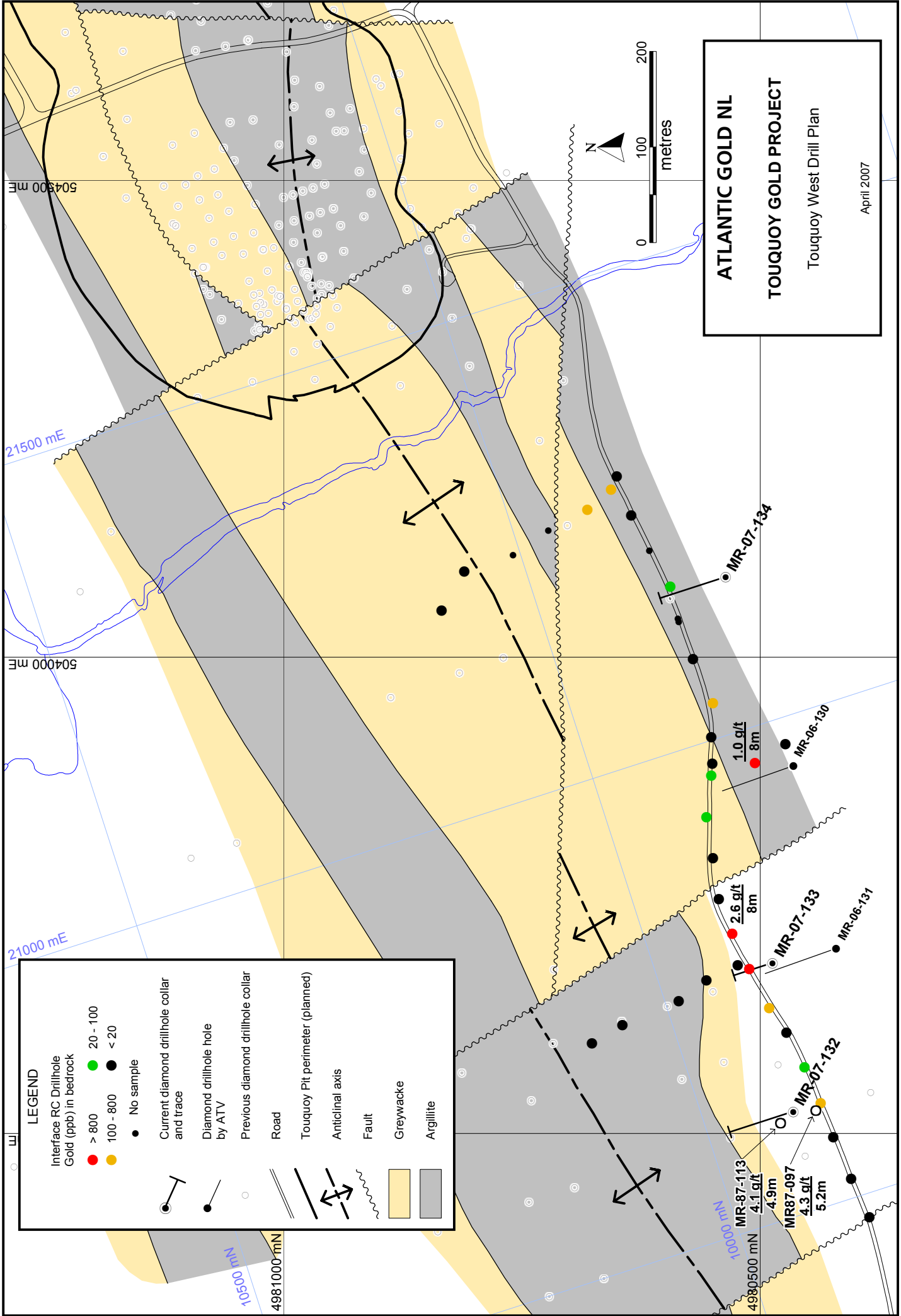
Atlantic Gold is applying its skills in identifying, developing and eventually responsibly mining open pit gold deposits in Nova Scotia, the Touquoy Gold Project being the starting point. The extensive goldfields of Nova Scotia have never before been systematically approached in this way. ATV's skills are derived from 15 years of such work in Western Australia, where the Company principals, as executives and directors of the highly successful Plutonic Resource Limited, discovered over 11 million ounces of gold, operated up to five gold mines (three of which are still in production, and now owned by Canada's Barrick Gold Corporation) and annually drilled up to 500,000 m in exploration and resource development. The Company principals have considerable previous experience in exploration in Atlantic Canada.

The target at Touquoy is a production scenario incorporating an on-site gold treatment plant with a minimum 1.5 million tonne per annum throughput and a 7 year minimum mine life to produce approximately 90,000 ounces gold per year. Results from the in-progress Feasibility Study confirm that the Touquoy deposit has a low stripping ratio excellent ore metallurgy and favourable ore grindability characteristics. The property is located in an old gold mining area about 110 km by sealed roads from Halifax, the capital of Nova Scotia. A Feasibility Study is in progress.

In addition to developing the Touquoy Gold Project ATV is undertaking extensive exploration, both regional and near-mine, to build its resource base. The Company believes the area is highly prospective for additional Touquoy style deposits.

Atlantic Gold has earned a 60% interest in the Touquoy Gold Project. An additional 15% interest can be acquired in the property outside the general area of the known resource by securing project financing.

**ATLANTIC GOLD NL**  
**TOUQUOY GOLD PROJECT**  
 Touquoy West Drill Plan  
 April 2007



**LEGEND**

Interface RC Drillhole	●	20 - 100
Gold (ppb) in bedrock	●	< 20
	●	> 800
	●	100 - 800
	●	No sample
Current diamond drillhole collar and trace	○	
Diamond drillhole hole by ATV	○	
Previous diamond drillhole collar	○	
Road	—	
Touquoy Pit perimeter (planned)	- - -	
Anticlinal axis	↔	
Fault	⋈	
Greywacke	■	
Argillite	■	

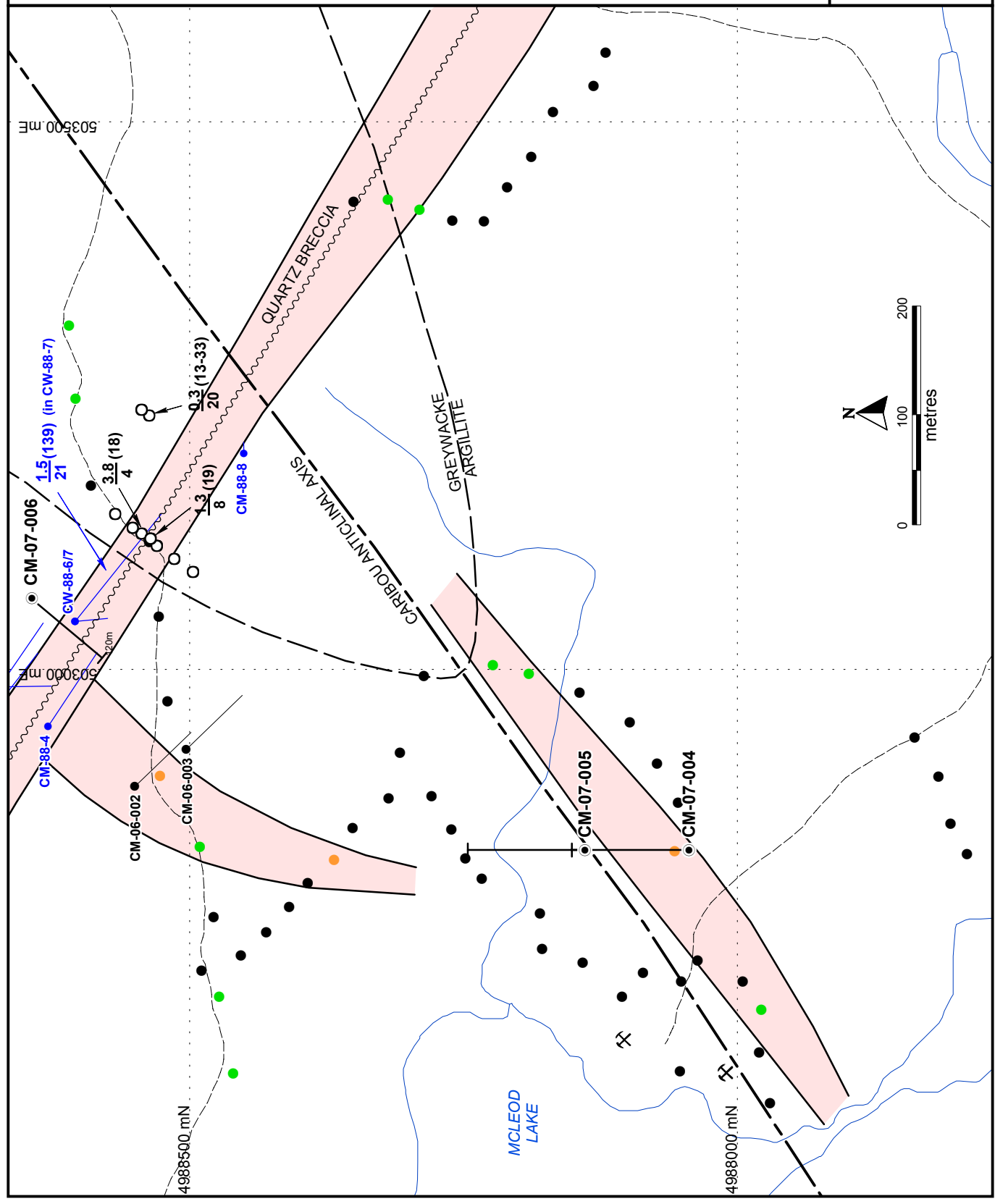


**ATLANTIC GOLD NL**  
**CARIBOU JOINT VENTURE**  
**MCLEOD LAKE**  
**DRILLING**

April 2007

**LEGEND**

- Historic gold workings and occurrences
- Interface RAB/RC Drilling
- Au (ppb) in bedrock
  - > 100
  - 20 - 100
  - < 20
- Small diameter RC hole collar showing g/t over metres (from depth in m)
  - $\frac{3.8}{4}$  (18)
- Current DDH collar and trace
- Diamond drill hole by ATV
- Diamond drill hole by other explorers
- Target zones



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ATLANTIC GOLD NL

ABN

82 062 091 909

Quarter ended ("current quarter")

31 March 2007

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(105)	(105)
(b) development	(1,078)	(1,078)
(c) production		
(d) administration	(142)	(142)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	32	32
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(1,293)</b>	<b>(1,293)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects		
(b)equity investments		
(c) other fixed assets	(2)	(2)
1.9 Proceeds from sale of:		
(a)prospects		
(b)equity investments	111	111
(c)other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other – Security deposits		
<b>Net investing cash flows</b>	<b>109</b>	<b>109</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,184)</b>	<b>(1,184)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,184)	(1,184)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other		
	<b>Net financing cash flows</b>	0	0
	<b>Net increase (decrease) in cash held</b>	(1,184)	(1,184)
1.20	Cash at beginning of quarter/year to date	2,413	2,413
1.21	Exchange rate adjustments to item 1.20	(6)	(6)
1.22	Cash at end of quarter	1,223	1,223

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	89
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors fees	22
Salaries	67

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil
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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil
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+ See chapter 19 for defined terms.

## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	2,000	2,000
3.2 Credit standby arrangements	Nil	Nil

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	800
<b>Total</b>	<b>1,000</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows:

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	225	314
5.2 Deposits at call	999	2,099
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,223</b>	<b>2,413</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	ELs 6407 and 6408	Caribou JV	50%	0%
	EL5765, 5860, 5875	Miller Lake option	0%	0%
6.2 Interests in mining tenements acquired or increased	Exploration licence Sheet Harbour (9km <sup>2</sup> )	Wholly owned	0%	100%

+ See chapter 19 for defined terms.

### Issued and quoted securities at end of current quarter


*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities Fully paid ATV Partly paid 7c ATVCC	161,677,138 30,286,342	161,677,138 30,286,342	20 cents	7 cents
7.4 Changes during quarter (a) Increases through issues – <i>Exercise ATVO ops</i> (b) Decreases through returns of capital, buy-backs	468	468		
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
– ATVO	16,454,369	16,454,369	\$0.12	31.12.08
– ATVAI	2,200,000		\$0.20	22.08.10
– ATVAK	5,370,000		\$0.15	14.10.10
– ATVAM	3,000,000		\$0.15	
7.8 Issued during quarter				
7.9 Exercised during quarter – ATVO	468	468	\$0.12	01.11.07
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 30 April 2007  
(Director/Company secretary)

Print name: Walter R Bucknell

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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