25 May 2007

Company Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bridge Street
Sydney NSW 2000

Dear Sir,

RESULTS OF ENGINEERING AND COST STUDY – TOUQUOY GOLD PROJECT

Atlantic Gold (ATV) is pleased to report that an Engineering and Cost Study (ECS) on the Touquoy Gold Deposit has now been completed to feasibility study standard by Ausenco Limited, in collaboration with ATV and in particular, ATV's Nova Scotia-based General Manager Operations, Mr Peter Carter. This collaboration is ongoing and is expected to result in finalisation of a Feasibility Study later in 2007.

A summary of the ECS is tabulated below, with explanation and study basis following:

ENGINEERING AND COST STUDY – 100% Basis All dollars Canadian unless otherwise noted.				
		ECS CASE	BASE CASE (ECS with identified cost reductions)	BASE CASE WITH USED PLANT (Indicative)
Anticipated Mine Life	years	7	7	5
Plant	mtpa	1.5	1.5	2.0
Grade	g/t	1.6	1.6	1.6
Anticipated total production**	koz	474	474	474
Annual production	koz	70	70	90
Cash costs/oz	C$	354	354	354
	US$	314	314	314
Gold Price	Spot C$	750	750	750
	Forward C$	815	815	815
Initial + sustaining capital	C$m	84	74	74
Net cash flow before tax	C$m	122	132	132
Payback	years	3.5	3.0	2.0
8% NPV before tax (ungeared)	C$m	59	68	78
IRR before tax (ungeared)		26%	30%	41%

** Anticipated total production includes Inferred Resources of 80,000 ounces which account for 17% of the total resource inventory subject to final infill drilling. Refer Study Basis #1 below.

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STUDY BASIS

1 Resource Base

Throughput is based on the following in-pit Resource inventory[1]:

Mill Feed		Total mined	Strip ratio	Mine life	Gold output
Tonnes (m)	Grade (g/t)	Tonnes (m)		Years	000s ounces
Measured + Indicated Resources					
8.1	1.6	22.0	1.7	5.4	393
Measured + Indicated + Inferred Resources					
9.7	**1.6**	**29.9**	**2.1**	**6.4**	**474**

Present financial studies indicate that although the Project would be viable based only on the existing in-pit Measured and Indicated Resources, the Project economics would be enhanced if the in-pit Inferred Resources of 80,000 ounces were upgraded, by infill and immediate extension drilling, to Measured and Indicated Resource categories. This upgrade will require drilling of approximately 90 diamond drill holes for 6,000m and take about four months.

The Anticipated Total Production of 474,000 ounces gold therefore includes 80,000 ounces of Inferred Resources, or 17% of the total resource inventory, which are yet to be upgraded to Measured or Indicated Resources by infill and immediate extension drilling. Given the predictability of the geology of the deposit, the disposition of Inferred Resource blocks within or immediately adjacent to existing Measured and Indicated Resources, and considering its previous experience in progressively upgrading confidence levels of the Touquoy resource inventory with successive infill and immediate step-out drilling, ATV has

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[1] Pit optimisation basis (all dollars Canadian):

- Resource base @ 0.7g/t cut-off (previously reported in ATV announcement to ASX, 14 Feb 2006):

Category	Tonnes (millions)	Grade (g/t Au)	Contained Ounces
Measured	5.85	1.8	334,500
Indicated	2.50	1.7	133,500
Inferred	1.41	1.9	86,500
TOTAL	9.76	1.8	554,500

- Mining dilution: 5% at zero grade
- Mining recovery: 95%
- Overall pit wall slope: 43°
- Metallurgical recovery: 92.5%
- Mining cost: $2.32/t
- Processing + administration cost: $11.53
- Gold price: $675/oz spot with 50% production hedged.
- Royalties: 2%
- Refining cost: $3.00/oz

a reasonable expectation, but cannot guarantee, that most if not all the Inferred Resources will be successfully upgraded to Measured and Indicated Resources with this drilling program. If the infill drilling does not upgrade all of these Inferred Resources it will adversely impact the internal rate of return but the project will still be viable.

No Ore Reserves are presently implied by this Study. Ore Reserve estimates will be based on the upgraded resource inventory and will be determined upon completion of the Feasibility Study and receipt of government approvals to mine.

2 Capital cost

- *ECS Case:* The ECS assumes a new on-site 1.5 Mtpa gravity-CIL processing plant with associated infrastructure including cyanide destruction circuit and tailings water treatment plant and owner-operated mining fleet. Capital cost including contingencies and sustaining capital, and with $10m post-Project value – this being the only such plant in Atlantic Canada with sufficient throughput capacity to process similar ores, is estimated at $84m.
- *Base Case:* Ausenco has brought its considerable experience and expertise to bear in providing a rigorous and technically sound generic design and cost estimate for the ECS Case. Further to this ATV's General Manager Operations having been based at site in Nova Scotia since October 2006, and dedicated to obtaining inputs to the Study, has been able to gain considerable additional local knowledge and insight with regard to pricing, availability and quality of goods and services available to a locally-based firm. ATV is confident that the project can be developed jointly with Ausenco at lower cost than that projected in the ECS by leveraging its local knowledge and business relationships established through its ongoing presence in Nova Scotia.

  Key areas where capital cost reductions can be identified include:
  - Acquisition of a used 1.5mtpa mill – approved by inspection
  - Use of a locally-sourced, functionally appropriate mobile crushing plant
  - Building costs through simplified construction.
  - Reduced overheads.

  These and numerous other identified opportunities are expected to reduce the capital costs of the ECS case to the Base Case capital cost of $74m.
- Base Case with Used Plant: ATV remains confident that a substantial inventory of appropriately sized used plant to supplement and expand – to 2.1mtpa for 100,000 ounce annual production – that used plant already identified can be acquired over the next six months. Capital costs similar to those of the Base Case are projected to apply.

3 Operating cost

Mining cost	$ 5.54/tonne (of ore)
Processing cost	$ 9.44/tonne
Administration cost	$ 1.39/tonne
TOTAL	$16.37/tonne

4 Gold price

The gold price used assumes a hedging program where 300,000 ounces of gold production (ie 70% of reserves) are sold forward to cover debt repayment or return of capital on a $70m capital outlay. The remainder is assumed to be sold at spot price. A spot price of USD675 (CAD750) is used. The actual level and nature of the hedge program will depend on circumstances at the time and on financiers' requirements.

5 Taxation

The Base Case has a project IRR on an ungeared basis before tax of 30% and after tax of 25%. The impact of tax on IRR is reduced because the Canadian federal and provincial tax regimes are especially favourable to mining investment in Atlantic Canada. No tax is payable until the project becomes cash flow positive as capital expenditure and other outgoings are immediately deductible for tax purposes.

Upside potential

The Meguma Terrane of Nova Scotia is strongly endowed with gold mineralisation and the potential for discovery of further Touquoy-style gold deposits through sensible, focussed and well funded exploration on ATV tenements and elsewhere in the district is high. With the only processing plant in the region with sufficient throughput capacity to treat similar ores ATV will be well positioned to capitalise on this advantage.

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 11moz 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 500,000m 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 current studies 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.

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.

Yours sincerely,

Wally Bucknell
Executive Director

Attribution: This report was compiled by WR Bucknell who is a Corporate Member of the Australasian Institute of Mining and Metallurgy and is a Competent Person in respect of the Australasian Code for Reporting of Mineral Resources and Ore Reserves and of the style of mineralisation and type of deposit under consideration.

This report and accompanying plans will be posted on the Company's website, www.atlanticgold.com.au following its release to the Australian Stock Exchange.