

29 January 2010

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

QUARTERLY REPORT FOR PERIOD ENDING 31 DECEMBER 2009

HIGHLIGHTS

- Anomalous gold – up to 5.05 g/t over a 4 m composite from 3 m depth beneath masking overburden – was returned from 8 shallow, widely-spaced first-pass reconnaissance interface drillholes over 1.2 km strike length of mine geology at Touquoy West. A follow-up 14-hole diamond drilling program will commence next week.
- Merit Engineering (Perth), in conjunction with the previously announced commissioning of Ausenco Limited, has been engaged to oversee completion of the Definitive Feasibility Study for the Touquoy Gold Project. The Study is expected to be completed in the 2nd Quarter 2010.
- Additional land surface titles at Touquoy have been acquired.
- A total of \$4.49 million (before expenses) in capital was raised via share placements and a \$2 million underwritten Shareholder Share Purchase Plan.
- Canadian boutique investment and financial advisor, Haywood Securities Inc., was appointed to investigate Atlantic Gold's potential Toronto Stock Exchange (TSX) listing through merger or other arrangement.
- With strong provincial Government encouragement investigations continue to ascertain availability of assistance in project financing under existing provincial or federal Government programs.

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TOUQUOY GOLD PROJECT

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

ENCOURAGING EXPLORATION RESULTS FROM TOUQUOY WEST

Anomalous gold intersections were returned from eight of 21 shallow, widely-spaced first-pass reconnaissance interface drillholes over 1.2 km strike length of mine geology at Touquoy West with best assay of 5.05 g/t over a 4 m composite bedrock sample from 3 m depth beneath masking overburden. These anomalous intersections were returned from an argillite sequence similar to that hosting the Touquoy Gold Deposit 2 km along strike to the east (see accompanying plans). This argillite sequence was only sparsely drilled in the 1980s and was highlighted in recent mapping and historic data compilation to be of particular interest. A follow-up 14-hole diamond drilling program will commence next week.

The Touquoy West satellite deposits, Higgins & Lawlor and Stillwater, comprise Indicated Resources of 54,000 ounces gold and Inferred Resources of 45,000 ounces gold based on historical drilling (as reported to ASX on 12 July 2004 – see appended Background Note #1) but have yet to be drilled by Atlantic Gold. The planned production at Touquoy excludes any input from the Touquoy West deposits at this stage.

As previously announced, a program of reconnaissance geochemical ‘interface’ drilling comprising 21 vertical narrow diameter reverse circulation drill holes for 320 m variably spaced over a 1.2 km length was undertaken to investigate a particular argillite horizon in this locale, the ‘Stillwater Argillite’. The Stillwater Argillite was identified through recent mapping and data compilation as having elevated potential to host additional Touquoy-style gold reserves. Lithological comparisons between the Stillwater Argillite and the Touquoy Argillite (host of the Touquoy Gold Deposit) suggest the Stillwater Argillite to be part of the mine sequence.

The purpose of this ‘interface’ drilling is to penetrate the masking till cover, up to 15 m in depth, and recover relatively short composited bedrock samples for geochemical analysis in order to evaluate the potential of the bedrock beneath the overburden in advance of more definitive diamond drill follow-up. Drill cuttings are hand sampled and not riffle-split and so results are treated as indicative at this stage.

Best result was 5.05 g/t gold over 4 m (composited) from 3 m depth directly beneath masking till cover. Seven other holes recorded anomalous gold (up to 0.53 g/t over 9 m) with associated characteristic alteration.

These results have now highlighted a 1.5 km strike length of this argillite horizon as being particularly prospective.

The Stillwater Argillite does not outcrop but is known, rather poorly, from historic sparsely distributed diamond drilling. It is about 30 m thick. Most of this historic drilling was conducted over a 400 m strike length in 1986 – the resultant resource estimate comprising 20% of the combined Stillwater/Higgins & Lawlor ('Touquoy West') resource estimate of 1.52 Mt @ 2.0 g/t (refer appended Background Note #1).

A first-pass 14-hole follow-up diamond drilling program for 900 m to further test the Stillwater Argillite will commence next week.

GENERAL

The Touquoy Gold Project is located in central Nova Scotia about 70 minutes drive by sealed road from Halifax, the Provincial capital. Halifax is a modern city with a population of about 350,000. It accommodates three universities and being a major shipping port supports major engineering and service infrastructure. Halifax International Airport, servicing direct flights to New York, London and Toronto, is 45 minutes from Touquoy.

As previously announced (September 2009 Quarterly Report) the present production plan contemplates recovery of 470,000 ounces gold from a single in-pit resource of 11.3 million tonnes @ 1.4 g/t with a strip ratio of 2.6:1 using a gold price of US\$875/oz and a conventional stand-alone gravity/CIL treatment plant.

PROJECT DEVELOPMENT

Project development is progressing on three fronts to enable commencement of site construction during the (northern) summer:

- Completion of Definitive Feasibility Study
- Finalisation of remaining permitting (Industrial Approval and Mining Lease grant)
- Acquisition of surface land titles

Definitive Feasibility Study (DFS)

Ausenco Limited (Perth) is advancing the update and upgrade of the Engineering and Cost Study it completed on the Touquoy Gold Project in June 2007, with most of the same key personnel being involved in the Study. Ausenco expects that subject to vendor and supplier response times the Study will be completed by the end of March.

Merit Engineers Pty Ltd (Perth) has been engaged as the Client's Representative to manage the Ausenco Study and to complete the DFS by compilation of the Ausenco Study with previous studies and reports from other relevant disciplines (metallurgy, geotech, tailings management, environment etc.). Completion of the DFS is expected during the June quarter.

Project Permitting

As previously noted applications for the Mining Lease and for Industrial Approval, the adjunct to the previously granted Environmental Assessment Approval, have previously been submitted to the Nova Scotia Departments of Natural Resources and Environment respectively. These applications are presently in abeyance pending acquisition of surface land titles, a pre-condition for approval. Nevertheless these submissions are being revised on the basis of earlier feedback from these Departments and the updated Ausenco study.

Experienced Halifax-based engineer, Mr Keith Phinney, has been engaged to provide essential guidance in completing these submissions.

Acquisition of surface titles

In order to undertake the many and varied title conveyances and associated tasks dedicated legal counsel has been secured with secondment of a lawyer, Mr Ian Bilek, who has worked intermittently with Atlantic Gold on this particular assignment for several years and has familiarity with the Project. Mr Bilek is an employee of Cox & Palmer, a prominent legal firm in Halifax. A number of existing purchase options was exercised and sales closed during the quarter. Other property negotiations and title clearances are in progress.

COCHRANE HILL OPTION

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

Cochrane Hill is an advanced gold exploration property located 80 km east of the Company's Touquoy Gold Project and is subject of an option agreement with TSX-listed Scorpio Gold Corporation.

RESOURCE INVENTORY *(as reported to ASX on 18 September 2009)*

The current resource inventory for Cochrane Hill is as follows:

COCHRANE HILL GOLD DEPOSIT

	TONNES (millions)	GRADE (g/t Au)	CONTAINED OUNCES
Indicated Resource	4.46	1.76	251,000
Inferred Resource	5.65	1.64	298,000
TOTAL	10.11	1.69	549,000

The gold mineralisation is developed within a 10 m to 30 m-wide zone of sulphidic and quartz-veined thin-bedded sediments which dip 70° north and trends almost east-west over a length of about 650 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 mineralized zone plunges gently to the west and it remains open down-plunge in this direction.

PIT OPTIMISATION (as reported to ASX on 18 September 2009)

Based on this resource inventory and the assumption – yet to be confirmed by infill drilling – 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:

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

CURRENT ACTIVITY

No appreciable site activity was undertaken during the Quarter.

OVERVIEW - NOVA SCOTIA PROJECT DEVELOPMENT

TOUQUOY AND COCHRANE HILL GOLD PROJECTS - UNIFIED PRODUCTION PLAN

Atlantic Gold is pursuing the concept of sequential development of the Touquoy and Cochrane Hill Gold Projects as a robust unified production plan to recover an estimated 920,000 ounces gold over a 10 year mine life. This combined Touquoy/Cochrane Hill production scenario contemplates re-location of the Touquoy 2 Mtpa gravity/CIL treatment plant to Cochrane Hill following completion of the Touquoy operation. Cochrane Hill is located 80km east of Touquoy and about 110 km by road.

The total Mineral Resources controlled by Atlantic Gold in Nova Scotia are now well in excess of one million ounces:

	TONNES (millions)	GRADE (g/t gold)	CONTAINED OUNCES GOLD
TOUQUOY			
Measured Resources	2.8	1.5	130,000
Indicated Resources	7.3	1.5	350,000
Inferred Resources	1.6	1.5	77,000
Total Touquoy	11.7	1.5	557,000
TOUQUOY WEST			
Indicated Resources	0.9	1.9	54,000
Inferred Resources	0.6	2.2	45,000

Total Touquoy West	1.5	2.0	99,000
Total Touquoy Project	13.2	1.5	656,000
COCHRANE HILL			
Indicated Resources	4.5	1.8	251,000
Inferred Resources	5.6	1.6	298,000
Total Cochrane Hill	10.1	1.7	549,000
TOTAL NOVA SCOTIA	23.3	1.6	1,205,000

A Definitive Feasibility Study for the Touquoy Gold Project, currently underway with completion due next Quarter, is the next step in advancing these Projects to production.

The conceptual Financial Model for this production scenario on 100% basis (refer appended Background Note #2 for ownership details) is tabulated below:

	TOUQUOY	COCHRANE HILL	TOUQUOY + COCHRANE HILL
Production	470,000 oz	450,000 oz	920,000 oz
Initial mine life	5.6 years	4.5 years	10.1 years
Plant	2 Mtpa	2 Mtpa	2 Mtpa
Throughput	11.3 Mt	8.9 Mt	20.2 Mt
Grade	1.4 g/t	1.7 g/t	1.5 g/t
Initial capital (A\$)	\$104M	-	\$104M
Operating cash cost (US\$/oz)	\$485	\$520	\$500
Gold price used:			
Optimisation (US\$/oz)	\$875	\$875	\$875
Revenues (US\$/oz)	\$1000	\$1000	\$1000
Net cash (pre-tax) (A\$)			\$340M
NPV ATV share @ 8% pre-tax (A\$)			\$98M
Project IRR			40%
Exchange rate (A\$/US\$)	0.86	0.86	0.86

REGIONAL EXPLORATION

This gold district of Nova Scotia is believed to be highly prospective for major open-pittable gold resources similar in style to those at Touquoy and Cochrane Hill. Ongoing exploration for such deposits and development of these two Projects are the forward steps in Atlantic Gold's strategy to develop a robust and environmentally sustainable gold mining industry in Nova Scotia.

Forty five interface holes were drilled within several regional prospects during the quarter (refer to accompanying regional plan). Eight holes were drilled in the Cochrane Hill East prospect, returning arsenic anomalism from similar rocks to those hosting the Cochrane Hill deposit 10 km to the west. Two holes were

drilled through thick glacial till along the Old Icelandic Rd, 4 km northeast along strike from the Touquoy deposit and the remaining holes were drilled across stratigraphic targets within the West Lake leases, further northeast of Touquoy. Weakly anomalous gold values were returned for basement samples from several holes in the West Lake area in a similar stratigraphic position to the Beaver Dam deposit 3 km to the east. Further interface drilling follow-up will be undertaken as priorities dictate.

Applications were lodged for 891 claims covering 141 km² during the quarter. It is expected that these new applications will be granted in the next quarter.

CORPORATE

FUNDRAISING

During the Quarter, Atlantic Gold raised \$4.49 million, before expenses, of new capital through the issue of 74,996,925 fully paid ordinary shares at 6 cents per share. Capital was raised through a series of share placements arranged by Martin Place Securities Pty Ltd and an underwritten Shareholder Share Purchase Plan. Capital raisings were well supported by both new and existing shareholders, in particular long standing shareholders who continue to maintain substantial ownership interests in the Company.

Funds raised will be used to progress development of its advanced gold projects in Nova Scotia, particularly with the purchase of additional surface land titles at Touquoy.

PROJECT FINANCING

In consideration of the project financing for the initial capital required to achieve first gold pour upon completion of the DFS and final permitting, Atlantic Gold has appointed Haywood Securities Inc (Toronto) as financial advisor to investigate the potential listing through a merger or other arrangement of the Touquoy and Cochrane Hill projects on the Toronto Stock Exchange (TSX).

The directors have determined to investigate whether shareholder value can be enhanced by pursuing a merger or other arrangement with a TSX listed entity with exploration and development goals in common with Atlantic Gold and better access to financial and operational resources.

This process is now underway with a growing number of such entities engaging with Atlantic Gold.

Haywood Securities is an independent boutique investment and financial adviser with its head office in Vancouver, Canada. It also has offices in Toronto, Calgary and London. Haywood Securities has a proven track record in assisting emerging

growth companies in the mining, oil and gas and other sectors looking for a means to grow, consolidate and build value.

PROVINCIAL GOVERNMENT SUPPORT

Substantial encouragement for Atlantic Gold's development projects in Nova Scotia continues to be provided by senior provincial government officials and representatives. Officials have expressed an appreciation of the economic benefits that development and operation of the Touquoy and Cochrane Hill Gold Projects will accrue to rural Nova Scotia. Productive discussions continue between the Company's principals and representatives of relevant government departments and agencies to ascertain potential support with respect to project financing under existing government programs.

Further discussion and consideration will necessarily follow.

Yours faithfully



W R Bucknell

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.

About Atlantic Gold NL

Atlantic Gold aims to develop open pit gold deposits in Nova Scotia, the Touquoy Gold Project being the starting point. The extensive goldfields of Nova Scotia have never before been systematically approached in this way. The Company's skills are derived from 15 years of such work in Western Australia, where its principals, as executives and directors of the highly successful Plutonic Resources Limited, discovered more than 11 Moz of gold and operated up to five gold mines. The Company principals have considerable previous experience in exploration in Atlantic Canada.

Attribution: The geological information in this report relating to Mineral Resources has been compiled by W R Bucknell who is a director of Atlantic Gold and a Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Bucknell has consented to the inclusion of this information in the form and context in which it appears. 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).

Background Notes

1. Touquoy West Resources

TOUQUOY WEST	TONNES (millions)	GRADE (g/t Au)	CONTAINED OUNCES
Indicated Resource	0.87	1.9	54,000
Inferred Resource	0.65	2.2	45,000
TOTAL	1.52	2.0	99,000

Refer ATV announcement to ASX 12 July 2004.

2. Property Ownership

Atlantic Gold holds a 60% interest the **Touquoy Gold Project**. Atlantic Gold as operator sole funds to production and receives 100% of cashflow until all outlay plus interest is recouped. Thereafter Atlantic Gold receives 60% of profits. A third party holds 3% royalty of which two-thirds can be purchased for \$2.5M. The financial considerations above are net of royalty.

Cochrane Hill is subject of an option agreement with TSX-listed Scorpio Mining Corporation (SMC). Under the terms of the agreement with SMC, once Atlantic Gold (through its wholly-owned Canadian subsidiary) has completed expenditure of C\$4.75 million on exploration and development (C\$3.5M now remaining) within 4 years, extendable for a further 2 years (by cash payment of C\$50,000 for each year), and has made aggregate cash payments of C\$100,000 to SMC (\$70,000 now remaining), then at SMC's election Atlantic Gold will have earned either a 60% Joint Venture interest (with SMC retaining a 40% Joint Venture interest) or 100% interest subject to a 20% free carried interest retained by SMC. Atlantic Gold may withdraw at any time. The property is subject to an underlying 3% production royalty in favour of a third party, of which two-thirds can be purchased for C\$1.5m. The financial considerations above are net of royalty.

