Atlantic Gold

27 July 2010

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

QUARTERLY REPORT FOR PERIOD ENDING 30 JUNE 2010

HIGHLIGHTS

The Definitive Feasibility Study for a 2.0 Mtpa conventional gravity/CIL production plan for the open-pit Touquoy Gold Project, as Stage 1 of the Touquoy-Cochrane Hill Gold Project, has been completed. Highlights of the Touquoy DFS include:

- Proved and Probable Reserves of 9.59 million tonnes grading 1.49 g/t for 454,000 contained ounces of gold with a strip ratio of 2.6:1
- Ungeared pre-tax project $NPV_{8\%}$ of A$88 million ($NPV_{5\%}$ of C$101 million) and project IRR of 32% at a gold price of US$1100/oz
- Significant upside with total potential production on 100% basis from the combined Touquoy-Cochrane Hill Gold Project of 900,000 ounces gold over a 10-year period and net surplus cash of A$350 million (C$315 million) at US$1100/oz gold price, with:
    - conversion of the substantial resource inventory at Cochrane Hill to Measured and Indicated Resource status with infill drilling
    - inclusion of the Touquoy in-pit Inferred Resources in the production plan with progressive grade control drilling, and upgrade of the Touquoy West resources to Measured and Indicated Resource status with infill and extension drilling
- Average annual production rate of 84,000 oz gold over an initial mine life of 5 years at an average cash cost of US$505/oz
- An initial capital investment of A$136 million (C$123 million)
- Direct employment of 149 site personnel.

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OVERVIEW – THE TOUQUOY-COCHRANE HILL GOLD PROJECT

The Touquoy Gold Project represents the first stage of a previously reported conceptual 10-year production plan for the combined Touquoy-Cochrane Hill Gold Project of 900,000 ounces, with net surplus cash of A$350 million (*C$315 million*) at US$1100/oz gold price.

With total throughput of 19 Mt @ 1.5 g/t for 970,000 contained ounces, this combined production plan currently foresees cash operating costs of US$544/oz (including royalties) for an ungeared, pre-tax project $NPV_{8\%}$ of A$164 million ($NPV_{5\%}$ of C$197 million).

Further details on the combined production plan for the Touquoy-Cochrane Hill Gold Project can be found on page 7.

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TOUQUOY GOLD PROJECT

(Stage 1 of the Touquoy-Cochrane Hill Gold Project)

The Definitive Feasibility Study ("DFS") for the Touquoy Gold Project in Nova Scotia, Canada, which represents Stage 1 of the Touquoy-Cochrane Hill Gold Project, has been completed. The DFS provides Atlantic Gold with the basis to advance discussions, now underway, with potential financiers for the project funding.

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.

SUMMARY OF THE TOUQUOY DFS

As 100% of the Touquoy cashflows will first be required to service and repay project debt and to repay all Atlantic Gold's exploration, pre-production, development and interest costs, the summary DFS results are reported below, except where specified, on 100% basis (refer to Endnote for ownership details).

Ore reserves	9.59 Mt @ 1.49 g/t for 454,000 contained ounces
Total production *	422,000 ounces
Annual production rate	84,000 ounces
Plant	All new, 2.0 Mtpa conventional gravity/CIL plant
Mine life	5.0 years
Pre-production capital cost**	A$136 million (*C$123 million*)
Cash operating cost	US$505/oz – includes royalties of US$25/oz
Gold price	US$1100/oz
Payback period	2.5 years after first gold pour
Net cash surplus (ungeared, pre-tax)	Project: A$164 million (*C$147 million*)
NPV (8%, ungeared, pre-tax)	Project: A$88 million
NPV (5%, ungeared, pre-tax)	Project: C$101 million
Internal rate of return (ungeared, pre-tax)	Atlantic Gold: 32%

* 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).

** The DFS is prepared in Canadian dollars. Exchange rates of A$1 = C$0.90 and C$1 = US$0.95 are used in the Study.

The DFS was compiled in association with Merit Engineers Pty Ltd and Ausenco Limited. It commenced in December 2009 and has considered all aspects related to development of Touquoy including ore reserve definition, mining, metallurgical, processing and engineering, economics and environmental.

The key contributors to the DFS are listed below:

COMPONENT	RESPONSIBILITY
Geology	Atlantic Gold
Resource estimation	Hellman & Schofield
Metallurgy	Peter Lewis & Associates, Ammtec
Comminution	Orway, Lakefield Research
Mine design, planning and reserves	AMDAD
Geotechnical	Peter O'Bryan & Associates
Geohydrology	Peter Clifton & Associates
Process plant	Ausenco
Tailings storage	Golder
Environmental	Conestoga-Rovers
Financial modelling	Gemell Mining Engineers
Compilation	Merit Engineers

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TOUQUOY GOLD PROJECT DEFINITIVE FEASIBILITY STUDY

1. Ore Reserves

Pit optimisation, design and scheduling have been developed by Australian Mine Design and Development Pty Ltd (AMDAD). Based on the estimated Mineral Resource the following Ore Reserve estimate has been determined:

	TONNES millions	GRADE g/t	CONTAINED GOLD ounces
Proved Ore Reserves	2.49	1.48	118,000
Probable Ore Reserves	7.10	1.47	336,000
Total	**9.59**	**1.48**	**454,000**

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.

2. 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.

3. 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 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 P_{80} 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.

4. 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, 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 and broadband wireless internet.

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 from the Moose River.

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

5. Capital cost estimate

The capital cost estimate for the project, managed by Merit Engineers Pty Ltd, and prepared by Ausenco Limited with input from Gemell Mining Engineers, AMDAD and Atlantic Gold, is $136M and the accuracy of the estimate is ±15%.

Capital cost estimate

ITEM	A$M	*C$M*
Mine	5	*5*
Process plant	62	*56*
Tailings management facility	10	*9*
Site infrastructure	20	*18*
Owner's costs	10	*9*
EPCM (Engineering, Procurement, Construction Management)	19	*17*
Sub-total	126	*114*
Working Capital	10	*9*
Total	**136M**	***123M***

The capital cost estimate is based on all new equipment and local subcontract rates with Touquoy Project experience used for estimating owner's costs. It includes cost contingency.

Installation of used plant remains a viable and realistic option to substantially lower the capital costs and expedite project implementation. This option is being actively pursued.

Assumptions used to derive the capital cost estimate include:

- Currency exchange rates are C$1.00 = US$0.95
- The estimate for the Process Plant has a base date of Q1 2010, all other estimates are based at Q2, 2010, and with an annual inflation rate of 2% applied thereafter to all capital expenditure.
- Local services and materials are to be used to the maximum extent feasible.

6. Operating costs

The Operating Cost estimate for the Project, managed by Merit Engineers and prepared by AMDAD (mining) and Ausenco (processing) with input from Gemell and ATV has been estimated to an accuracy of ±15%, and are summarised below.

	TOTAL LIFE-OF-MINE		UNIT COSTS *		
	A$	*C$*	A$/tonne	*C$/tonne*	US$/oz
Mining	133	*120*	12.72	*11.46*	247
Processing	99	*89*	9.44	*8.50*	183
Site administration	24	*22*	2.33	*2.09*	45
Off-site costs	2	*2*	0.24	*0.21*	5
Sub-total	258	*233*	24.73	*22.26*	480
Royalties	13	*11*	1.28	*1.15*	25
TOTAL	271	*244*	26.01	*23.41*	505

* Specified unit costs include pre-production costs

The estimate includes site operating cost contingency. A site-based production workforce of 149 is represented.

7. Environmental

Environmental Assessment Approval was granted by Nova Scotia Environment for the Project in February 2008 and this approval remains in force. Documentation has been prepared for the Mining Lease and Industrial Approval applications. These approvals, by the Nova Scotia Departments of Natural Resources and Environment respectively, are subject to Atlantic Gold's securing all surface land titles which is presently in progress.

8. 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.

NEXT STEPS

Completion of the DFS now provides the basis for discussion, presently underway, with potential financiers in Australia and Canada for the debt and equity components of the project financing. Productive discussions also continue with representatives of relevant government departments and agencies in respect of potential financial support under existing government programs.

With Environmental Assessment Approval for Touquoy granted and in place, formal applications for the Mining Lease and Industrial Approval remain to be submitted to the regulators (the Nova Scotia Departments of Natural Resources and Environment respectively) and granted once surface land titles have been secured.

Several additional surface land titles were cleared, purchases completed, and options exercised during the Quarter, with other property title clearances currently in progress.

Subject to completion of project financing during Q4 2010, receipt of final Approvals and acquisition of the remaining surface land titles, first gold is scheduled to be poured in Q4 2012.

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THE TOUQUOY-COCHRANE HILL GOLD PROJECT

The Touquoy Gold Project represents the first stage of a previously reported conceptual 10-year production plan of 900,000 ounces, with net surplus cash of A$350 million (*C$315 million*) at US$1100/oz gold price, for the combined Touquoy and Cochrane Hill Gold Projects. This combined production plan currently envisages the re-location of the Touquoy processing plant 80 km to the east to Cochrane Hill upon completion of the Touquoy operation. Further studies, exploration outcomes and project optimisations will consider additional options.

This combined production plan considers, in addition to the Touquoy DFS:

(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. This potential production (previously reported to ASX on 18 September 2009) is derived from pit optimisation at US$875/oz using Touquoy cost and recovery profiles applied to the resource inventory, previously reported as:

Cochrane Hill Resource Inventory

	TONNES millions	GRADE g/t	CONTAINED GOLD ounces
Indicated Resource	4.46	1.76	251,000
Inferred Resource	5.65	1.64	298,000
TOTAL	**10.11**	**1.69**	**549,000**

and assumes all Inferred Resources are convertible to Measured and Indicated Resources with infill drilling.

The Touquoy-Cochrane Hill Gold Project production plan 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 and the inclusion of Inferred Resources this production plan is a study at a conceptual level, and on 100% basis:

Projected Conceptual Outcomes – Touquoy-Cochrane Hill GoldProject

Throughput	19.0 Mt @ 1.5g/t for 970,000 contained ounces
Total production	900,000 ounces
Average annual production rate	86,000 ounces
Plant	2.0 Mtpa. Re-located to Cochrane Hill post-Touquoy
Mine life	10.5 years
Pre-production capital cost	A$136M (*C$123M*), as per Touquoy DFS
Total capital cost	A$253M (*C$228M*) – includes A$90M (*C$81M*) pre-production capital for Cochrane Hill
Cash operating cost	US$544/oz. Includes royalties
Gold price	US$1,100/oz
Payback period	2.5 years after first gold pour (as per Touquoy DFS)
Net cash surplus (ungeared, pre-tax)	Project: A$350M (*C$315M*)
NPV (8%, ungeared, pre-tax)	Project: A$164M
NPV (5%, ungeared, pre-tax)	Project: C$197M
Internal rate of return (ungeared, pre-tax)	Atlantic Gold: 32%

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REGIONAL EXPLORATION

This gold district of Nova Scotia is highly prospective for major open-pittable gold resources similar in style to those at Touquoy and Cochrane Hill.

An ongoing program of first pass field investigations, inspections and evaluations across this region and within the 220km^2 of tenements currently held by Atlantic Gold continued during the Quarter.

Yours sincerely,

Wally Bucknell
Executive Director

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.

ENDNOTES:

A. Property ownership details

Atlantic Gold as the operator and manager of the **Touquoy Gold Project** sole funds all pre-production, capital and exploration expenditure. Once gold production at Touquoy has commenced Atlantic gold will receive 100% of the Touquoy cashflow until all expenditures plus interest, now amounting to approximately C$12 million, have been recouped. Thereafter Atlantic Gold is obliged to pay 40% of pre-tax profits from Touquoy to the vendor of the Touquoy tenements. A royalty of 3% is also payable.

Cochrane Hill is subject of an option agreement with TSX-listed Scorpio Gold Corporation (TSX: SGC). Under the terms of the agreement with SGC, once Atlantic Gold has completed further exploration and development expenditure of C$3.2 million by May 2012 (extendable for a further 12 months for C$50,000 cash payment), then at SGC's election Atlantic Gold will have earned either a 60% Joint Venture interest (with SGC retaining a 40% Joint Venture interest) or 100% interest subject to a 20% free carried interest retained by SGC. The Cochrane Hill property is subject to an underlying 3% production royalty.

B. 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).

The ore reserve estimates for Touquoy described in this report were completed by Mr John Wyche, an employee of Australian Mine Design and Development Pty Ltd. Mr Wyche is a Member of the 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 development of the Touquoy style of mineralisation and deposit type. Mr Wyche has consented to the inclusion of this information in the form and context in which it appears in this report.

C. About Atlantic Gold NL

Atlantic Gold is an ASX listed company (Code ATV) which aims to develop open pit gold deposits in Nova Scotia, the Touquoy and Cochrane Hill Gold Projects 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 million ounces of gold and operated up to five gold mines, three of which are still in production, and now owned by Canada's Barrick Gold Corporation. The Company principals have considerable previous experience in exploration in Atlantic Canada.

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

ATLANTIC GOLD NL

ABN

82 062 091 909

Quarter ended ("current quarter")

30 JUNE 2010

Consolidated statement of cash flows

			Current quarter $A'000	Year to date (6 months) $A'000
	Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors			
1.2	Payments for:	(a) exploration & evaluation	(268)	(504)
		(b) development	(679)	(1328)
		(c) production		
		(d) administration	(293)	(473)
1.3	Dividends received			
1.4	Interest and other items of a similar nature received		39	78
1.5	Interest and other costs of finance paid			
1.6	Income taxes paid			
1.7	Other (provide details if material)			
	Net Operating Cash Flows		(1201)	(2227)
	Cash flows related to investing activities			
1.8	Payment for purchases of:	(a) prospects		
		(b) equity investments		
		(c) other fixed assets	(214)	(706)
1.9	Proceeds from sale of:	(a) prospects		
		(b) equity investments		
		(c) other fixed assets		
1.10	Loans to other entities			
1.11	Loans repaid by other entities			
1.12	Other (provide details if material)			
	Net investing cash flows		(214)	(706)
1.13	Total operating and investing cash flows (carried forward)		(1415)	(2933)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1415)	(2933)
	Cash flows related to financing activities		
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 – Costs of share issues		(16)
	Net financing cash flows	(1415)	(2949)
	Net increase (decrease) in cash held		
1.20	Cash at beginning of quarter/year to date	3654	5180
1.21	Exchange rate adjustments to item 1.20	21	29
1.22	**Cash at end of quarter**	2260	2260

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	83
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	61

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

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

+ 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		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	250
4.2	Development	550
4.3	Production	
4.4	Administration	200
	Total	**1000**

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	28	241
5.2	Deposits at call	2232	3413
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	2260	3654

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				
6.2	Interests in mining tenements acquired or increased	EL8972, 8999, 9046 (15.5 sq km)	Wholly owned	0%	100%

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	 394,832,569 30,286,342	 394,832,569 30,286,342	 20 cents	 9 cents
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
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)* – *ATVOA* – *ATVAK* – *ATVAM* – *ATVAQ* – *ATVAI*	 24,144,138 4,550,000 400,000 2,000,000 400,000		*Exercise price* $0.08 $0.15 $0.15 $0.155 $0.15	*Expiry date* 31.01.11 22.08.10 14.10.10 28.08.12 14.10.12
7.8	Issued during quarter				
7.9	Exercised during quarter				
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 Act or other standards acceptable to ASX (see note 4).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: .... Date:
(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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