

# **Atlantic Gold Corporation**

**Unaudited Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2015 and 2014**  
(Expressed in Canadian dollars)

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Atlantic Gold Corporation have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Atlantic Gold Corporation

## Condensed Interim Consolidated Balance Sheets (unaudited)

|   | March 31,<br>2015    | December 31,<br>2014 |
|---|----------------------|----------------------|
| <b>Assets</b>                                     |                      |                      |
| Current assets                                    |                      |                      |
| Cash and cash equivalents                         | \$ 16,101,842        | \$ 18,266,882        |
| Prepaid expenses                                  | 198,083              | 209,755              |
| Receivables (Note 5)                              | 373,081              | 577,338              |
| Due from related parties (Note 10)                | 49,249               | 67,352               |
| <b>Total Current Assets</b>                       | <b>16,722,255</b>    | <b>19,121,327</b>    |
| Property, plant and equipment (Notes 3,4,6)       | 4,405,559            | 4,462,689            |
| Mineral Properties (Notes 3,4,7)                  | 23,335,144           | 21,967,737           |
| Other non-current assets (Note 8)                 | 472,393              | 470,275              |
| <b>TOTAL ASSETS</b>                               | <b>\$ 44,935,351</b> | <b>\$ 46,022,028</b> |
| <b>Liabilities</b>                                |                      |                      |
| Current Liabilities                               |                      |                      |
| Accounts payable and accrued liabilities          | \$ 994,419           | \$ 1,490,199         |
| Due to related parties (Note 10)                  | 4,464                | 58,115               |
| <b>TOTAL LIABILITIES</b>                          | <b>998,883</b>       | <b>1,548,314</b>     |
| <b>Shareholders' equity</b>                       |                      |                      |
| Share capital (Note 9a)                           | 68,072,249           | 68,072,249           |
| Contributed surplus (Note 9b, 9c)                 | 12,798,949           | 12,539,141           |
| Deficit   | (36,934,730)         | (36,137,676)         |
| <b>Total Shareholders' Equity</b>                 | <b>43,936,468</b>    | <b>44,473,714</b>    |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 44,935,351</b> | <b>\$ 46,022,028</b> |

Commitments (Note 12)

Approved by the Board:

|                          |          |
|--------------------------|----------|
| <i>"Donald Siemens"</i>  | Director |
| <i>"Robert Atkinson"</i> | Director |

# Atlantic Gold Corporation

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)

|  | Three months ended<br>March 31,<br>2015 |           | Three months ended<br>March 31,<br>2014 |
|--|---|-----------|---|
| <b>Expenses</b>  |   |           |   |
| Amortization   | \$ 21,873                               | \$        | 1,820                                   |
| Corporate Development and Investor Relations                 | 110,928                                 |           | 280,047                                 |
| Director fees  | 18,750                                  |           | 16,667                                  |
| Management Fees, salaries and benefits                       | 206,774                                 |           | 113,272                                 |
| Office and general   | 41,864                                  |           | 17,683                                  |
| Professional fees  | 80,958                                  |           | 15,627                                  |
| Rent   | 43,449                                  |           | 25,353                                  |
| Share-based payments (Note 9b)                               | 221,296                                 |           | 10,841                                  |
| Transfer agent and filing fees                               | 34,404                                  |           | 8,509                                   |
| Travel, meals and entertainment                              | 9,895                                   |           | 115                                     |
| <b>Net loss from operations</b>                              | <b>(790,191)</b>                        |           | <b>(489,934)</b>                        |
| <b>Other income / (expense)</b>                              |   |           |   |
| Impairment of property, plant & equipment                    | (36,681)                                |           | -                                       |
| Interest and other income                                    | 29,818                                  |           | 104,585                                 |
| <b>Net loss and other comprehensive loss for the period</b>  | <b>\$ (797,054)</b>                     | <b>\$</b> | <b>(385,349)</b>                        |
| <b>Basic weighted average number of shares outstanding</b>   | <b>113,559,001</b>                      |           | <b>60,407,187</b>                       |
| <b>Loss per share, basic</b>                                 | <b>\$ (0.01)</b>                        | <b>\$</b> | <b>(0.01)</b>                           |
| <b>Diluted weighted average number of shares outstanding</b> | <b>113,559,001</b>                      |           | <b>60,707,187</b>                       |
| <b>Loss per share, diluted</b>                               | <b>\$ (0.01)</b>                        | <b>\$</b> | <b>(0.01)</b>                           |

# Atlantic Gold Corporation

## Condensed Interim Consolidated Statements of Changes in Equity (unaudited)

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|                                  | Share capital       |                      |                        |                        |                      |
|----------------------------------|---------------------|----------------------|------------------------|------------------------|----------------------|
|                                  | Number of<br>shares | Amount               | Contributed<br>surplus | Deficit                | Total equity         |
| <b>Balance - January 1, 2015</b> | <b>113,559,001</b>  | <b>\$ 68,072,249</b> | <b>\$ 12,539,141</b>   | <b>\$ (36,137,676)</b> | <b>\$ 44,473,714</b> |
| Share-based payments             | -                   | -                    | 259,808                | -                      | 259,808              |
| Net loss for the period          | -                   | -                    | -                      | (797,054)              | (797,054)            |
| <b>Balance - March 31, 2015</b>  | <b>113,559,001</b>  | <b>\$ 68,072,249</b> | <b>\$ 12,798,949</b>   | <b>\$ (36,934,730)</b> | <b>\$ 43,936,468</b> |

|                                  | Share capital       |                      |                        |                        |                      |
|----------------------------------|---------------------|----------------------|------------------------|------------------------|----------------------|
|                                  | Number of<br>shares | Amount               | Contributed<br>surplus | Deficit                | Total equity         |
| <b>Balance - January 1, 2014</b> | <b>60,407,187</b>   | <b>\$ 53,258,507</b> | <b>\$ 10,227,578</b>   | <b>\$ (34,400,235)</b> | <b>\$ 29,085,850</b> |
| Share-based payments             | -                   | -                    | 10,841                 | -                      | 10,841               |
| Net loss for the period          | -                   | -                    | -                      | (385,349)              | (385,349)            |
| <b>Balance - March 31, 2014</b>  | <b>60,407,187</b>   | <b>\$ 53,258,507</b> | <b>\$ 10,238,419</b>   | <b>\$ (34,785,584)</b> | <b>\$ 28,711,342</b> |

# Atlantic Gold Corporation

## Condensed Interim Consolidated Statements of Cash Flows (unaudited)

|  | Three months ended<br>March 31,<br>2015 | Three months ended<br>March 31,<br>2014 |
|--|---|---|
| <b>Cash used in operating activities</b>               |   |   |
| Net loss for the period                                | \$ (797,054)                            | \$ (385,349)                            |
| Adjustments for:                                       |   |   |
| Amortization   | 21,873                                  | 1,820                                   |
| Impairment of property, plant & equipment              | 36,681                                  | -                                       |
| Share-based payments                                   | 221,296                                 | 10,841                                  |
| Interest and other income                              | (29,818)                                | (104,585)                               |
| Net changes in non-cash working capital:               |   |   |
| Receivables  | 127,231                                 | 72,725                                  |
| Due from related parties                               | 18,103                                  | (4,566)                                 |
| Prepaid expenses                                       | 9,554                                   | 2,210                                   |
| Accounts payable and accrued liabilities               | (188,387)                               | 138,542                                 |
| Due to related parties                                 | (53,651)                                | 8,180                                   |
| Net cash used in operating activities                  | (634,172)                               | (260,182)                               |
| <b>Investing activities</b>                            |   |   |
| Purchase of property and equipment                     | (1,424)                                 | -                                       |
| Mineral property expenditures                          | (1,636,289)                             | -                                       |
| Interest received                                      | 106,845                                 | 99,612                                  |
| Net cash generated from (used in) investing activities | (1,530,868)                             | 99,612                                  |
| Change in cash and cash equivalents during the period  | (2,165,040)                             | (160,570)                               |
| Cash and cash equivalents, beginning of period         | 18,266,882                              | 28,922,649                              |
| <b>Cash and cash equivalents, end of period</b>        | <b>\$ 16,101,842</b>                    | <b>\$ 28,762,079</b>                    |
| <b>Supplemental cash flow information</b>              |   |   |
| Interest paid  | \$ -                                    | \$ -                                    |
| Income taxes paid                                      | \$ -                                    | \$ -                                    |

# Atlantic Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 (unaudited)

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### 1 Nature of Operations

Atlantic Gold Corporation (the "Company") is a company listed on the TSX Venture Exchange with a registered office at Suite 3083, Three Bentall Centre, 595 Burrard Street, Vancouver, B.C. Canada. At December 31, 2014 the Company was also listed on the Australian Stock Exchange ("ASX"). On March 6, 2015, the Company officially de-listed from the ASX.

On August 20, 2014, the Company completed its acquisition of all the fully paid and partly paid ordinary shares on issue in Atlantic Gold Pty Limited (formerly Atlantic Gold NL) ("Atlantic NL") by way of a scheme of arrangement ("Scheme") under Part 5.1 of the Australian Corporations Act 2001 (Cth) between Atlantic and its shareholders. Atlantic NL is the owner of several gold mineral claims located in Nova Scotia – including the Touquoy and Cochrane Hill Gold Projects. The Company changed its name from Spur Ventures Inc. to Atlantic Gold Corporation concurrently with the closing of the Scheme.

On September 19, 2014, the Company completed the acquisition of all of the issued share capital in Acadian Mining Corporation ("Acadian") pursuant to a share purchase agreement (the "Agreement"). Acadian owns a number of mining claims in proximity to the claims acquired through the Atlantic NL acquisition.

The Company is focusing on advancing the development of its Nova Scotia properties as well as continuing to actively review potential acquisitions and investment opportunities.

### 2 Basis of preparation

These unaudited condensed interim financial statements for the three months ended March 31, 2015 (the "Interim Financial Statements") have been prepared in accordance with International Auditing Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These Interim Financial Statements do not include all disclosures required for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These Interim Financial Statements have been prepared using accounting policies consistent with those used in the Company's 2014 annual consolidated financial statements.

These Interim Financial Statements were approved by the board of directors on May 27, 2015.

# Atlantic Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2015 (unaudited)

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### 3. Acquisition of Atlantic NL

On August 20, 2014 (the "Implementation Date"), the Company completed the acquisition of all the fully paid and partly paid ordinary shares on issue of Atlantic NL.

Under the terms of the Scheme, Atlantic NL shareholders holding fully paid ordinary shares received 0.05564 of a common share of the Company (each whole share, a "Common Share") and 0.02782 of a share purchase warrant (each whole warrant a "Warrant") for each fully paid ordinary share of Atlantic NL held. Each Warrant is exercisable to acquire one Common Share of the Company for a period of four years following the Implementation Date at a price of \$0.60 per Common Share. Atlantic NL shareholders holding partly paid ordinary shares received 10% of the consideration otherwise payable to a holder of fully paid ordinary shares for each fully paid share held. As a result, a total of 46,275,272 Common Shares and 23,137,361 Warrants were issued to Atlantic NL shareholders.

In consideration for the cancellation of each outstanding option to purchase an ordinary share of Atlantic NL (each, an "Atlantic NL Option") the Company granted 0.05564 of an option to purchase a Common Share, with an exercise price of \$0.50 per full Common Share with an expiry date of August 28, 2017 (the "Option Cancellation Deed"). Options to purchase up to 973,700 Common Shares were granted to former holders of Atlantic NL Options as at the Implementation Date.

The acquisition of Atlantic NL by the Company has been accounted for as an asset acquisition.

The fair value of the assets and liabilities acquired was determined by the Company and is based on the best information management had available. The allocation of the consideration to the assets and liabilities acquired is as follows:

|  |    |                   |
|--|----|-------------------|
| Current Assets   | \$ | 665,560           |
| Property, Plant & Equipment                            |    | 3,695,015         |
| Mineral properties                                     |    | 13,307,069        |
| Other long term assets                                 |    | 478,094           |
| Current Liabilities                                    |    | (1,899,846)       |
|  | \$ | <b>16,245,892</b> |
| <b>Consideration</b>                                   |    |                   |
| Common Shares issued on acquisition                    | \$ | 12,957,076        |
| Share Purchase Warrants on acquisition                 |    | 1,476,639         |
| Options granted under <i>Option Cancellation Deeds</i> |    | 57,388            |
| Transaction costs                                      |    | 1,754,789         |
|  | \$ | <b>16,245,892</b> |

# Atlantic Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 (unaudited)

### 3. Acquisition of Atlantic NL (continued)

The estimated fair value of the Common Shares and Warrants issued and the Options granted under the Option Cancellation Deeds is based on:

| Description   | Number of Atlantic NL securities | Exchange Ratio | Number of the Company's securities issued | Estimated fair value per common share / warrant on the Implementation Date | Estimated fair value |
|---|----------------------------------|----------------|---|--|----------------------|
| Common Shares issued for Atlantic Fully Paid Shares   | 828,671,993                      | 0.05564        | 46,106,759                                | \$ 0.28  | \$ 12,909,892        |
| Common Shares issued for Atlantic Partly Paid Shares  | 30,286,342                       | 0.005564       | 168,513                                   | 0.28   | 47,184               |
| Share Purchase Warrants issued for Atlantic NL Fully Paid Shares                                  | 828,671,993                      | 0.02782        | 23,053,105                                | 0.064  | 1,471,262            |
| Share Purchase Warrants issued for Atlantic NL Partly Paid Shares                                 | 30,286,342                       | 0.002782       | 84,256                                    | 0.064  | 5,377                |
| Options issued under <i>Option Cancellation Deeds</i> in place of Atlantic NL Options outstanding | 17,500,000                       | 0.05564        | 973,700                                   | 0.059  | 57,388               |
|   |                                  |                |   |  | \$ 14,491,103        |

The Warrants and Options were valued as at the Implementation Date using the Black-Scholes model based on the following assumptions:

|                         | Warrants | Stock Options |
|-------------------------|----------|---------------|
| Risk-free interest rate | 1.50%    | 1.50%         |
| Expected life           | 4 years  | 3 years       |
| Annualized volatility   | 55%      | 55%           |
| Dividend rate           | 0.00%    | 0.00%         |
| Forfeiture rate         | 0.00%    | 0.00%         |

Prior to the acquisition by the Company, Atlantic NL was an Australian Stock Exchange ("ASX") listed company focused on the exploration and development of the Touquoy project, which is at an advanced stage and has all major permits in place, and the Cochrane Hill project, both of which are located within the Meguma Terrane in the province of Nova Scotia.

Atlantic NL has an effective ownership interest of 63.5% in the Touquoy project and is the operator and manager of the project, responsible for funding all capital and operating expenditures. Under the Touquoy joint venture agreement, on commencement of production at the Touquoy project, Atlantic will receive 100% of the Touquoy cash flow until all capital and operating expenditures, in addition to interest expenditures, have been recouped. A private net smelter return royalty of 3% is also payable in respect of the Touquoy project, two-thirds of which can be purchased for \$2.5 million.

Atlantic NL has a 100% ownership interest in the Cochrane Hill project. A private net smelter return royalty of 3% is also payable in respect of the Cochrane Hill project, two-thirds of which can be purchased for \$1.5 million.

# Atlantic Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2015 (unaudited)

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## 4. Acquisition of Acadian

On September 19, 2014, the Company completed the acquisition of all of the issued share capital of Acadian in exchange for 8,876,542 common shares (the "Consideration Shares") of the Company and \$3,610,740 in cash, comprising the cash consideration of \$4,260,740 less a net liability adjustment of \$650,000, pursuant to the Sale and Purchase Agreement (the "Agreement") with LionGold Mining Canada Inc. (the "Vendor"), and LionGold Corp Ltd as guarantor.

Under the terms of the Agreement, a total of 2,000,000 Consideration Shares ("Contingent Common Shares") were held back from issuance to the Vendor pending the completion of certain post-closing deliverables.

The acquisition of Acadian by the Company has been accounted for as an asset acquisition.

The fair value of the assets and liabilities acquired outlined below was determined by the Company and is based on the best information management had available. The allocation of the consideration to the assets and liabilities acquired is as follows:

|   |    |                  |
|---|----|------------------|
| Current Assets                                  | \$ | 91,915           |
| Property, Plant & Equipment                     |    | 270,512          |
| Exploration and evaluation assets - intangibles |    | 6,463,721        |
| Current Liabilities                             |    | (630,299)        |
|   | \$ | <b>6,195,849</b> |
| <b>Consideration</b>                            |    |                  |
| Cash paid on acquisition                        | \$ | 3,610,740        |
| Common Shares issued on acquisition             |    | 1,856,666        |
| Contingent Common Shares issuable               |    | 540,000          |
| Transaction costs                               |    | 188,443          |
|   | \$ | <b>6,195,849</b> |

The fair value of the Common Shares issued and Contingent Common Shares issuable is based on the Company's share price as at the closing date of the Agreement, being \$0.27. The value of the Contingent Common Shares issuable to Acadian have been recognized in contributed surplus and will be converted to share capital once the post-closing deliverables have been delivered by Acadian. The Company considered discounting the value of the Contingent Common Shares issuable to Acadian based on the probability of delivery of the post-closing deliverables, but concluded that the likelihood of non-performance by Acadian is negligible.

The assets of Acadian consist of the Beaver Dam and Fifteen Mile Stream gold projects, which are located in proximity to the Company's Touquoy and Cochrane Hill Projects, plus an extensive portfolio of exploration properties in the Meguma Terrane of Nova Scotia, Canada. Acadian also holds existing royalty interests on the Goldenville (1% NSR), Dufferin (2% NSR) and Tangier (1% NSR) properties located in Nova Scotia.

# Atlantic Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2015 (unaudited)

## 5. Receivables

|  |           | <b>March 31,<br/>2015</b> |           | December 31,<br>2014 |
|--|-----------|---------------------------|-----------|----------------------|
| Input tax credits  | \$        | 106,431                   | \$        | 268,285              |
| NSDNR security for settlement of expropriated properties | \$        | 206,698                   | \$        | 206,698              |
| Interest and other receivables                           |           | 59,952                    |           | 102,355              |
|  | <b>\$</b> | <b>373,081</b>            | <b>\$</b> | <b>577,338</b>       |

The receivable from the Nova Scotia Department of Natural Resources (“NSDNR”) relates to \$206,698 in security held by the NSDNR in respect of certain expropriated properties. The security will be refunded once payment for the expropriated lands by the Company has been settled. The Company remains in discussions with the previous land owners in respect of a negotiated settlement payment. The Company has estimated and accrued an amount it believes it will settle within accounts payable and accrued liabilities on the statement of financial position.

## 6. Property, plant and equipment

|   | <b>Equipment</b> | <b>Land</b>      |           | <b>Total</b>     |
|---|------------------|------------------|-----------|------------------|
| <b>At December 31, 2014</b>               |                  |                  |           |                  |
| Cost                                      | 269,080          | 4,289,805        | \$        | 4,558,885        |
| Accumulated depreciation                  | (96,196)         | -                |           | (96,196)         |
| <b>Net book Value</b>                     | <b>172,884</b>   | <b>4,289,805</b> | <b>\$</b> | <b>4,462,689</b> |
| <b>Period ended March 31, 2015</b>        |                  |                  |           |                  |
| At January 1, 2015                        | 172,884          | 4,289,805        | \$        | 4,462,689        |
| Additions                                 | 1,424            | -                |           | 1,424            |
| Impairment of property, plant & equipment | (36,681)         |                  |           | (36,681)         |
| Depreciation for the period               | (21,873)         | -                |           | (21,873)         |
| <b>Closing net book value</b>             | <b>115,754</b>   | <b>4,289,805</b> | <b>\$</b> | <b>4,405,559</b> |
| <b>At March 31, 2015</b>                  |                  |                  |           |                  |
| Cost                                      | 270,504          | 4,289,805        | \$        | 4,560,309        |
| Impairment of property, plant & equipment | (36,681)         | -                | \$        | (36,681)         |
| Accumulated depreciation                  | (118,069)        | -                |           | (118,069)        |
| <b>Net book Value</b>                     | <b>115,754</b>   | <b>4,289,805</b> | <b>\$</b> | <b>4,405,559</b> |

# Atlantic Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2015 (unaudited)

## 7. Mineral Properties – Nova Scotia

Three months ended March 31, 2015

|   | Beaver Dam          | Touquoy              | Cochrane Hill       | Fifteen Mile Stream and Other | Total                |
|---|---------------------|----------------------|---------------------|-------------------------------|----------------------|
| <b>Cumulative exploration costs - Beginning of period</b> | <b>\$ 2,886,186</b> | <b>\$ 10,195,717</b> | <b>\$ 2,404,188</b> | <b>\$ 6,481,646</b>           | <b>\$ 21,967,737</b> |
| <b>Additions - Exploration Costs</b>                      |                     |                      |                     |                               |                      |
| Permitting & claims                                       | -                   | 36,541               | -                   | 26,436                        | 62,977               |
| Drilling  | 110,300             | -                    | -                   | -                             | 110,300              |
| Feasibility Studies                                       | 90,000              | 72,150               | -                   | -                             | 162,150              |
| Environmental & Geology                                   | 88,374              | 6,069                | 25,351              | -                             | 119,794              |
| Salaries  | 164,586             | -                    | -                   | -                             | 164,586              |
| Consulting*   | 189,565             | 58,908               | -                   | 20,079                        | 268,552              |
| Assays & Metallurgy                                       | 353,634             | 19,372               | -                   | -                             | 373,006              |
| Equipment & Supplies                                      | 19,411              | -                    | -                   | -                             | 19,411               |
| Travel & Accommodation                                    | 26,645              | -                    | -                   | -                             | 26,645               |
| Office and Admin.   | 52,412              | -                    | -                   | -                             | 52,412               |
| Other   | 7,574               | -                    | -                   | -                             | 7,574                |
| <b>Exploration expenditures for the period</b>            | <b>1,102,501</b>    | <b>193,040</b>       | <b>25,351</b>       | <b>46,515</b>                 | <b>1,367,407</b>     |
| <b>Grand Total - Mineral Properties</b>                   | <b>\$ 3,988,687</b> | <b>\$ 10,388,757</b> | <b>\$ 2,429,539</b> | <b>\$ 6,528,161</b>           | <b>\$ 23,335,144</b> |

\*Includes a portion of share-based payments of \$38,512 (2014: nil)

During the three month period ended March 31, 2014, no exploration expenditures were incurred.

## 8. Other non-current assets

|                                     | March 31, 2015    | December 31, 2014 |
|-------------------------------------|-------------------|-------------------|
| Reclamation bonds                   | \$ 200,000        | \$ 200,000        |
| Available for sale financial assets | \$ 248,077        | \$ 248,077        |
| Other                               | 24,316            | 22,198            |
|                                     | <b>\$ 472,393</b> | <b>\$ 470,275</b> |

The reclamation bonds are held by the NSDNR over various mining tenements and will be refundable to the Company once mining is completed and the land has been restored to its economically usable state. The available for sale financial asset represents the Company's wholly owned subsidiary DDV Gold Limited's minority interest in Moose River Resources Inc., a privately held company, which is recorded at cost as the fair value is not reliably measureable as the shares are privately traded and there is a wide potential range of volatility.

## 9. Equity

### a) Authorized share capital

Unlimited common shares without par value

Unlimited number of preferred shares without par value, issuable in series and with special rights and restrictions to be determined on issuance

# Atlantic Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2015 (unaudited)

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## 9. Equity (continued)

### b) Stock options

The Company values the stock options granted using the Black Scholes option pricing model to determine the fair value of options granted. The vesting period for options is 12.5% immediately with 12.5% each quarter over the following seven quarters.

A summary of the changes in stock options is as follows:

|  | Options           | Weighted average<br>exercise price |
|--|-------------------|------------------------------------|
| Options outstanding - January 1, 2014          | 4,650,000         | \$ 0.38                            |
| Granted  | 3,023,700         | 0.38                               |
| Expired  | (300,000)         | 0.28                               |
| <b>Options outstanding - December 31, 2014</b> | <b>7,373,700</b>  | <b>\$ 0.38</b>                     |
| Granted  | 3,790,000         | 0.255                              |
| Expired  | -                 | -                                  |
| <b>Options outstanding - March 31, 2015</b>    | <b>11,163,700</b> | <b>\$ 0.34</b>                     |
| <b>Options exercisable - March 31, 2015</b>    | <b>6,816,200</b>  | <b>\$ 0.38</b>                     |

On March 6, 2015, the Company granted a total of 3,720,000 stock options to directors, officers, employees and consultants of the Company. The weighted average fair value of the options granted for the three months ended March 31, 2015 was \$0.17 per option. The exercise price for the stock option grant was equal to the market price at the time of the grant.

The following assumptions were used in the valuation of the stock options granted in the period:

|                         |            |
|-------------------------|------------|
| Risk-free interest rate | 1.25%      |
| Expected life           | 6.75 years |
| Annualized volatility   | 75%        |
| Dividend rate           | 0.00%      |
| Forfeiture rate         | 0.00%      |

During the three months ended March 31, 2015, share-based payments of \$259,808 was recognized (2014: \$10,831) of which \$221,296 (2014: \$nil) was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss and \$38,512 (2014: \$nil) was capitalized to mineral properties.

# Atlantic Gold Corporation

Notes to the Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2015 (unaudited)

## 9. Equity (continued)

### b) Stock options (continued)

The following table summarizes information about the options outstanding at March 31, 2015:

| Number of Options | Exercise Price | Expiry Date      | Number Exercisable |
|-------------------|----------------|------------------|--------------------|
| 1,950,000         | 0.37           | August 12, 2016  | 1,950,000          |
| 1,000,000         | 0.40           | April 10, 2017   | 1,000,000          |
| 100,000           | 0.37           | May 10, 2017     | 100,000            |
| 1,250,000         | 0.40           | November 1, 2017 | 1,250,000          |
| 50,000            | 0.40           | July 26, 2018    | 43,750             |
| 2,050,000         | 0.32           | June 13, 2019    | 1,025,000          |
| 973,700           | 0.50           | August 28, 2017  | 973,700            |
| 3,790,000         | 0.255          | December 6, 2021 | 473,750            |
| <b>11,163,700</b> |                |                  | <b>6,816,200</b>   |

### c) Share purchase warrants

At March 31, 2015, the Company had outstanding share purchase warrants exercisable to acquire 23,137,361 shares as follows:

|   | Number            | Weighted average exercise price | Expiry date     |
|---|-------------------|---------------------------------|-----------------|
| Balance - January 1, 2014                             | -                 | \$ -                            | -               |
| Issued  | 23,137,361        | 0.60                            | August 20, 2018 |
| <b>Balance - December 31, 2014 and March 31, 2015</b> | <b>23,137,361</b> | <b>\$ 0.60</b>                  |                 |

## 10. Related party transactions and key management compensation

### a) Key management compensation

Key management includes the Company's directors, Chief Executive Officer, President and Chief Operating Officer and Chief Financial Officer. Compensation awarded to key management is presented in the table below:

|                       | Three months ended March 31, 2015 | Three months ended March 31, 2014 |
|-----------------------|-----------------------------------|-----------------------------------|
| Salaries and benefits | \$ 80,165                         | \$ 60,000                         |
| Director fees         | 18,750                            | 16,667                            |
| Share-based payments  | 223,354                           | 8,324                             |
|                       | <b>\$ 322,269</b>                 | <b>\$ 84,991</b>                  |

# Atlantic Gold Corporation

## Notes to the Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2015 (unaudited)

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### 10. Related party transactions and key management compensation (continued)

#### b) Payments for services by related parties

During the three months ended March 31, 2015, the Company incurred corporate consulting fees of \$63,750 (2014: \$21,420) to Sirocco Advisory Services Ltd. ("Sirocco"), a company controlled by a director and officer of the Company. As at March 31, 2015, the Company owed \$1,843 to Sirocco (December 31, 2014: \$11,397).

During the three months ended March 31, 2015, the Company incurred geological consulting fees of \$15,000 (2014: \$15,000) to Metallica Consulting Co. ("Metallica"), a company controlled by a director of the Company. As at March 31, 2015, the Company owed \$nil to Metallica (December 31, 2014: \$10,500).

During the three months ended March 31, 2015, the Company incurred geological consulting fees of \$75,053 (2014: nil) to Wally Bucknell, a director of the Company. As at March 31, 2015, the Company owed \$nil (December 31, 2014: \$25,809) to Mr. Bucknell.

During the three months ended March 31, 2015, the Company incurred corporate consulting fees of \$nil (2014: \$15,300) to Shariff Advisory Services Ltd. ("Shariff"), a company controlled by a former officer of the Company.

As at March 31, 2015 the Company owed \$2,620 (December 31, 2014: \$9,129) to key management personnel with respect to accrued benefits. Amounts due to and from related parties are unsecured, non-interest bearing and due on demand.

#### c) Services provided to related parties

The Company charged office lease and administrative expenditures to Oceanic Iron Ore Corp. ("Oceanic"), a Company with an officer and a director in common. During the three months ended March 31, 2015, office lease and administrative expenditures billed to Oceanic amounted to \$31,884 (2014: \$35,916). As at March 31, 2015, the Company was owed \$41,260 from Oceanic (December 31, 2014: \$36,731).

### 11. Fair Value of Financial Instruments

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk. The carrying values of cash and cash equivalents, receivables, deposits due from related parties, accounts payable, accrued liabilities and due to related parties approximate their fair values due to their short term nature.

All financial instruments for which fair value is recognised or disclosed are categorized within a fair value hierarchy based on the lowest level input that is significant to the fair value measurement as whole. The Company's available for sale financial asset held is categorized as Level 3 on the fair value hierarchy.

# Atlantic Gold Corporation

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## 12. Commitments

As disclosed in note 10(c), the Company has a long-term office lease and shares office space and related costs with one other company. One of the Company's subsidiaries also has an office lease commitment in Nova Scotia. A summary of the Company's commitments is set out below:

|                            |    |                  |
|----------------------------|----|------------------|
| 2015                       | \$ | 296,694          |
| 2016                       |    | 254,153          |
| 2017                       |    | 130,643          |
| <u>2018 and thereafter</u> |    | <u>359,401</u>   |
|                            | \$ | <u>1,040,891</u> |

### Exploration Tenement Commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to incur minimum expenditures of approximately \$181,950 (December 31, 2014: \$360,043) in respect of claim renewal fees and minimum work requirements.