ATLANTIC GOLD CORPORATION
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE SIX MONTHS ENDED – JUNE 30, 2016 AND 2015

INTRODUCTION

This MD&A has been prepared as of August 25, 2016, and should be read in conjunction with the Company's unaudited condensed interim financial statements with accompanying notes for the three and six months ended June 30, 2016 and 2015, as well as the audited annual consolidated financial statements with accompanying notes for the years ended December 31, 2015 and 2014, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The objective of this MD&A is to help the reader understand the factors affecting the Company's past and future financial performance. All amounts are reported in Canadian dollars, unless otherwise stated. Additional information on the Company, including the Company's Annual Information Form can be found in the filings with Canadian security commissions on SEDAR at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

This MD&A contains "forward-looking statements". Forward-looking statements include, but are not limited to, statements with respect to the Company's current review of potential mineral project investments and/or acquisitions, the estimation of mineral resources, the timing and content of upcoming programs, the realization of mineral resource estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budgets", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations; actual results of planned expansion activities; changes in project parameters as plans continue to be refined; future prices of resources; exchange rates for Canadian and other currencies; possible variations in grade or recovery rates, accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. In making the forward-looking statements in this MD&A, the Company has made certain key assumptions, including, but not limited to, the assumptions that merited mineral assets or projects can be acquired and financings are available. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements or information made in this MD&A, except as required under applicable securities legislation.

C O M P A N Y   P R O F I L E

Atlantic Gold Corporation (“Atlantic”, or 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.

The Company is a Canadian-based exploration and development gold mining company engaged in the acquisition, exploration and development of precious metal mineral properties. Atlantic’s strategic focus is a counter cyclical strategy of acquiring advanced projects in mining-friendly jurisdictions.

News releases, including regarding both the Atlantic NL and Acadian transactions, are available for review on the Company’s website (www.atlanticgoldcorporation.com) and SEDAR (www.sedar.com).

KEY MILESTONES AND OUTLOOK

Significant development milestones that have been met during the quarter include the following:

- Executed a syndicated project facility agreement (the “Credit Agreement”) in respect to a $115 million Project Loan Facility (“PLF”) to fund the majority of the construction costs of the Company’s MRC Project;

- Executed a definitive Master Lease Agreement pursuant to which the Company’s lender has agreed to underwrite up to $20 million in mining fleet equipment financing (the “Equipment Financing”) to fund the Company’s acquisition of mining equipment for the Company’s MRC Project;

- Announced the completion of a non-brokered financing of $13 million by way of issuance of convertible debentures (the “Convertible Debentures”). The Convertible Debentures, together with the credit approved commitment letter for a $115 million PLF, completes funding requirements for the initial capital costs for its MRC Project of approximately $127 million contained in the August 2015 feasibility study, excluding environmental bonding. Refer to Convertible Debenture discussion below;

- Announced the completion of a bought deal private placement financing of $14,375,046 through the issuance of 23,958,410 common shares of the Company at a price of $0.60 per share. The Company also announced the completion of a non-brokered private placement financing for gross proceeds of $13,544,000 through the issuance of 22,573,329 common shares of the Company at a price of $0.60 per share. Refer to *Liquidity and Capital Resources* discussion below;

- Announced that pursuant to the terms of the Company’s hedging facility of up to 215,000 ounces, as required by the Company’s PLF, the Company entered into gold price hedging contracts (the “Contracts”) covering 215,000 ounces of production from the Company’s Moose River Consolidated Project. The Contracts are scheduled out for delivery over the term of the Company’s PLF;

- Finalized a contract (the “EPC Contract”) with Ausenco Engineering Canada Ltd. (“Ausenco”) to build a 2 million tonne per annum process plant, truck shop and office facilities, as well as other support infrastructure related to these facilities on an Engineering Procurement and Construction (“EPC”) basis, for the Company’s MRC Project for a fixed price of $86.34 million, fixing most of the initial construction and development capital costs of the MRC Project;

- Received acceptance from the Nova Scotia Department of Natural Resources ("NSDNR") and Nova Scotia Environment ("NSE"), (together, the "Province") for the Company's proposal to provide a phased reclamation security in the amount of $10.4 million for Touquoy. The reclamation security represents the total cost to reclaim the Touquoy site as determined by the Province. Additionally, the Company has executed an agreement with a reputable surety company specializing in contract and commercial surety bonds, including underwriting surface mining reclamation to financial sound companies with adequate reserves. The surety company has completed its underwriting process and has committed to providing a surety bond in the Company's name to the Province, 80% of which will be collateralized by way of cash or letter of credit provided by the Company, for a negotiated premium. On May 26, 2016, the Company posted its initial reclamation bond for $3.43 million with the Province;

- Commenced clearing and mulching activities in April and May 2016 at Touquoy in order to facilitate earthmoving activities, which commenced June 1, 2016. The earthmoving is required to prepare the site for commencement of construction of the Touquoy plant and related infrastructure.

Other corporate development milestones achieved or ongoing include the following:

- Received a Notice of Determinations from the Canadian Environmental Assessment Agency ("CEAA"), representing the commencement of the environmental approval process at the Company's Beaver Dam Mine Project ("Beaver Dam") under the Canadian Environmental Assessment Act, 2012;

- Completion of an Economic Impact Study, prepared by KPMG, in respect of the Company's MRC Project focused on job creation, fiscal revenues, and overall economic wealth for Nova Scotia and Canada;

- Continued negotiations in respect of a mutual benefits agreement with the Assembly of Mi'kmaq Chiefs in Nova Scotia, building on the current memorandum of understanding that was signed in May 2014;

- Defined a mineral resource estimate at the Company's Fifteen Mile Stream Gold Project;

- Hosted institutional analysts, as well as potential project financing institutions on site visits to the Company's project sites in Nova Scotia.

Corporate and Organizational Changes

On July 8, 2016, the Company announced the appointment of Maryse Belanger as Chief Operating Officer of the Company effective July 17, 2016. Ms. Belanger will succeed Mr. John Morgan, who will retire in August 2016. Mr. Morgan will remain with the Company as a Director and will remain as an advisor to the Company. Ms. Belanger brings over 30 year of experience with senior gold companies globally with strengths in studies, technical services and operational excellence and efficiency. Further, effective August 2, 2016, the Company appointed Sean Thompson as Manager of Investor Relations of the Company. Mr. Thompson brings over 7 years of experience in the natural resources (metals & mining) industry.

Next Steps

Over the coming months, the Company will be focused on:

- Commence construction on the MRC Project;
- Agreement on a mutual benefits agreement with the Nova Scotia Mi'kmaq community;
- Environmental impact assessment and permitting for Beaver Dam.

OVERVIEW OF THE COMPANY'S HOLDINGS

MRC PROJECT

A. Touquoy Gold Project

Description and Ownership

The Touquoy Gold Project is located at the former village of Moose River Mines about 70 minutes' drive via 110km of sealed road north-east from Halifax. The Touquoy Property covers an area of approximately 1,760 ha.

The Touquoy Property is secured under a Mineral Lease (ML11-1) comprising 49 claims and a surrounding exploration license (EL10377) comprising 64 claims.

The Company's effective ownership interest in Touquoy is 63.5%. The Company is entitled to recover all operational, overhead, financing and sunk costs prior to any distributions to its non-public partner, in the project.

A net smelter return royalty ("NSR") of 3% is also payable in respect of the Touquoy Gold Project, two-thirds of which can be purchased for $2.5 million.

The Touquoy Gold Project is well advanced with all major environmental permits. Environmental assessment approval and industrial approval are in place and a mineral lease has been granted.

In addition, ownership of all 63 private properties required for the development of the Touquoy Gold Project has now been secured. For 11 of these properties, the final compensation settlement related to land expropriation has not yet been finalized and is under review with legal representatives of former landowners, but Atlantic Gold has full rights to utilize these properties.

In relation to the seven parcels of Crown land required within the footprint of the Touquoy Gold Project the Company finalized a lease agreement in February 2016, providing the Company with all remaining surface and sub-surface rights necessary to progress the MRC Project to construction.

B. Beaver Dam

Description and Ownership

The 100% owned Beaver Dam Property is located in Halifax County, in central Nova Scotia, approximately 85km northeast of the provincial capital of Halifax (Figure 4.1). The property covers the historical Beaver Dam Gold District located on NTS sheet 11E02/A with central coordinates of 521319 E / 4990700 N (UTM NAD 83 Zone 20). The area is uninhabited with the closest residences situated 5 km away.

The property is held under a single exploration license, EL50421, currently held by Annapolis Properties Corporation, a wholly owned subsidiary of the Company. EL50421 is comprised of 76 contiguous claims which cover an area of approximately 1136 ha.

For Beaver Dam, a 0.6% NSR is payable to a private third-party. There are no buyback options for this private royalty. Similar to Touquoy, Atlantic must remit a 1% NSR on production from Beaver Dam to the government of Nova Scotia.

OTHER PROPERTIES IN NOVA SCOTIA

Cochrane Hill Project

Description and Ownership

The Cochrane Hill Gold Project is a 100% owned earlier stage development project. It is located approximately 80 km east of the Touquoy Property and about 35 kilometres south of the town of Antigonish. It is accessible via Highway #7 which passes within 300 metres of the old Cochrane Hill mine site.

The Cochrane Hill Property is secured under a single exploration license (EL6310) comprising 53 claims. The Cochrane Hill deposit is located entirely within ungranted Crown lands.

A private 3% NSR is payable on production from Cochrane Hill, of which two-thirds can be repurchased by Atlantic Gold for $1.5 million. The Company expects to exercise this buy-back option on Cochrane Hill. In addition to the private NSR, Cochrane Hill is subject to a 1% royalty payable to the government of Nova Scotia.

On September 29, 2014, the Company released the results of a Preliminary Economic Assessment ("PEA") which included the Company's Cochrane Hill Project. The technical report can located on the Company's website www.atlanticgoldcorporation.com and on SEDAR, www.sedar.com.

Fifteen Mile Stream

Description and Ownership

Fifteen Mile Stream is a 100% owned property located in eastern Halifax County, Nova Scotia, approximately 95 km northeast of Halifax. It comprises the historic Fifteen Mile Stream gold district.

Access to the area is provided by highway #374 which transects the province from Sheet Harbour in the south to Stellarton in the north.

The Fifteen Mile Stream Property is secured under two exploration licenses (ELs 10406 and 05889) comprising 31 claims, as well as a special license (SL 11/90) comprising 8 claims. All licenses cover a total of 710 hectares. The claims are currently held by 6179053 Inc. and Atlantic Mining NS Ltd. ("Atlantic Mining"), both of which are wholly owned subsidiaries of the Company.

Exploration Properties

The Company's regional land package in Nova Scotia presently comprises approximately 207 km2 of claims located throughout the Meguma Terrane specifically selected, or retained from Acadian's property portfolio, to explore for potential disseminated gold mineralization, similar to the Company's Touquoy and Beaver Dam properties. The exploration claims of prime interest are those which secure the 80km of key ground along the Touquoy–Beaver Dam–Fifteen Mile Stream–Cochrane Hill trend. The Company's wholly owned subsidiary, Acadian, also holds existing royalty interests on the Goldenville (1% NSR), Dufferin

(2% NSR) and Tangier (1% NSR) properties located in Nova Scotia. None of these properties are currently in production and no royalty income is currently being generated.

Feasibility Study – MRC Project

On July 02, 2015, the Company announced the results of a Feasibility Study (the "Study"), led and prepared by Ausenco Engineering Canada Inc. ("Ausenco") in accordance with National Instrument 43-101 ("NI 43-101") in respect of the Company's MRC Project, located in Nova Scotia, Canada. The Study considers the co-development of Touquoy as well as Beaver Dam.

The Company engaged a team of specialized consultants, led by Ausenco, with the assistance of Moose Mountain Technical Services ("MMTS") in respect of mine design and pit optimization as well as compiling the economic results for the project. The Company also engaged Stantec Consulting Ltd. in respect of the design of the Tailings Management Facility, Mr. Neil Schofield, a principal of FSSI Consultants (Australia) Pty Ltd. ("FSSI") in respect of the resource modelling, and Conestoga-Rovers & Associates ("CRA") in respect of environmental and permitting aspects of the Feasibility Study.

Production Profile

The table below sets out gold production from the MRC Project over the life of mine:

MRC Project Life of Mine Production

Description	Waste (000's tonnes)	Ore Processed (000's tonnes)	Gold Production (000's oz.)
Pre-Production	2,639	0	0
Year 1	5,616	1,800	74
Year 2	4,897	2,000	96
Year 3	4,174	2,000	94
Year 4	3,274	2,000	92
Year 5	14,384	2,000	77
Year 6	14,368	2,000	90
Year 7	9,170	2,000	90
Year 8	2,686	2,000	85
Year 9	99	652	16
Total LoM Production	**61,307**	**16,452**	**714**
Overall Strip Ratio	**3.73**		

The Study is based on the deposits being developed as conventional surface open pit mining operations with drill/blast/load/haul activities utilizing a leased production fleet operated by Company employees. Initial production commences at Touquoy where the relatively low strip ratio and short haul to external waste dumps translates to a smaller production fleet, minimizing production costs in the process.

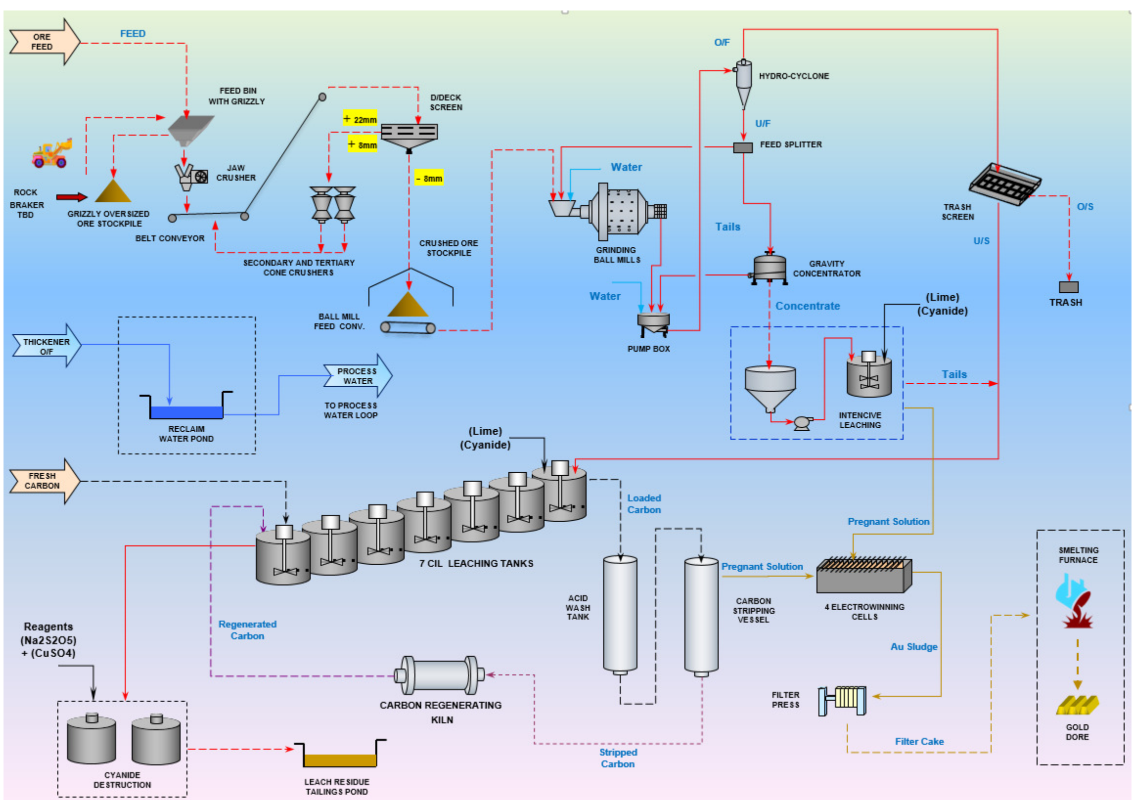
Beaver Dam, as a satellite operation, will require minimal infrastructure to supply basic office facilities and equipment maintenance requirements. The mining fleet at Touquoy will be transitioned to Beaver Dam and expanded due to the higher rate of material movement. Ore will be crushed at a location adjacent to the Beaver Dam pit near Highway 224 and then loaded onto highway trucks which will transport it along a combination of private logging and public roads to the Touquoy processing facility. Beaver Dam waste rock will be placed as close to the pit as practical to minimize waste haulage costs. Other than primary crushing, there will be no treatment of material at Beaver Dam and therefore no plant or tailings management facility is required there. A PEA prepared for the MRC Project released in October, 2014 estimated a total of 294,000 oz. of gold to be recovered at Beaver Dam. As a result of the resource drilling program conducted at Beaver Dam to raise the majority of the resource to measured and indicated classifications following the PEA, the recovered gold at Beaver Dam has increased to 315,000 oz., with a related increase in tonnes processed as well as waste tonnes mined.

Metallurgical testing indicates that Beaver Dam ore will have treatment characteristics similar to the Touquoy ore and will therefore be processed in the same manner as the Touquoy ore. Tailings generated from treating the Beaver Dam ore is planned to be placed in the mined-out Touquoy open pit. After all mining is complete, the Touquoy pit will continue to fill with water and the tailings will be settled well below the expected final maximum water surface level. Permanently sealing tailings below water is globally considered a preferred method for long term tailings disposal.

Processing and Metallurgy

The processing of Touquoy ore has been extensively tested and the flow sheet to be constructed has been defined. The plant will have a capacity of 2 million tonnes per year with an expected gold recovery of 94%.

MRC Project Flowsheet



The flow sheet is conventional and consists of three stage crushing, ball milling to a grind of 80% passing 150 microns, with cyclones being used to close the grinding circuit. A centrifugal concentrator will be used to treat a portion of the cyclone underflow to recover coarse gold, with gold being recovered from the gravity concentrate by intensive cyanidation. The cyclone overflow will be screened to remove organic particles and then leached in a CIL circuit with a two stage pre-leach. Loaded carbon will be treated in a pressure Zadra circuit with the electrowinning sludge smelted to doré. The tailings from leaching will be treated for cyanide destruction using sulfur dioxide / air with a copper catalyst.

As previously mentioned, material from the Beaver Dam pit will be crushed and transported to the Touquoy plant. The metallurgical characteristics at Beaver Dam are very similar to the material from the Touquoy pit and as such, no modifications of the plant will be necessary. A similar recovery of 94% is expected.

Geology and Mineralization

Touquoy and Beaver Dam are geologically similar, being located about 20km apart within the same sedimentary stratigraphy of the Meguma Terrane and along the same structural corridor – the Moose River-Beaver Dam-Fifteen Mile Stream Anticline. In both deposits, gold is disseminated throughout the host rocks – quartz-veined grey argillites (shales), though with a lower work index (~10) at Touquoy than Beaver Dam (~15) owing to a lower proportion of quartz veining at Touquoy. Both deposits extend to the near surface glacial till boundary and are amenable to open pit mining with relatively low strip ratios (2.4:1 at Touquoy and 5.5:1 at Beaver Dam). At Touquoy, most mineralization is disposed around the anticlinal hinge, and at Beaver Dam, mineralization is disposed in a tabular zone within one limb of the anticline.

Infrastructure and Power

The infrastructure requirements for Touquoy are relatively modest, with minor public road realignment required; and electrical power required to be accessed from a substation at Caribou Mines, a total distance of 13 km, with a large part of the line using existing poles. The power line will be provided by Nova Scotia Power, who have provided a cost estimate for this installation.

No mine site accommodation will be required as the labour force will come from surrounding communities.

The tailings management facility will be constructed from mine waste rock and low permeability till from the mine area, avoiding importation of materials from more distant locations. The tailings management facility will have a positive water balance and therefore will provide process water requirements, but extraction from nearby Scraggy Lake will provide water for startup and in case of dry periods.

As all ore mined from Beaver Dam will be trucked to the Touquoy plant for treatment, a significant investment in forestry road upgrades (approximately 20 km in all) will be required. Three bridges and a number of culverts will need upgrading. These improvements will enhance the quality of the existing water crossings for the community and will also provide benefits from an environmental standpoint. Costs will be reduced by using crushed mine waste rock for the majority of the road bed and running surfaces. Road upgrading will be carried out during the fourth year of operation at Touquoy. As only primary crushing will be carried out at Beaver Dam, the electrical power demand at Beaver Dam is relatively small. As there is no appropriate power supply close to the facility, temporary diesel generators will be utilized. Tailings from the treatment of Beaver Dam ore will be stored in the Touquoy pit and no significant cost will be associated with their management. The buildings at Touquoy will remain in use and only temporary workshop, office and change room facilities will be built at Beaver Dam.

Environmental and Permitting

All major environmental permits are in place for mining and processing operations at Touquoy and background environmental information has been collected at Beaver Dam since the late summer and fall of 2014. Discussions on permitting at Beaver Dam are underway with the relevant authorities. As mentioned earlier, the Company made its formal submission of the Company's Beaver Dam Project Description to CEAA, of which subsequent notice has been received from CEAA for the commencement of the environmental approval process. Approvals from both the federal and provincial environmental offices are expected to be received within a 12 – 18 month time frame.

Mineral Reserve Estimate

The mineral reserve estimate for the Touquoy portion of the MRC Project is based on a mineral resource estimate contained within the Company's PEA reported in a Company news release dated September 29, 2014 and filed on SEDAR on October 14, 2014, prepared by MMTS with an effective date of August 1, 2014.

The mineral reserve estimate for the Beaver Dam portion of the MRC Project is based on a mineral resource estimate reported in a Company news release dated March 3, 2015 and filed on SEDAR on April 16, 2015, prepared by Mr. Neil Schofield of FSSI with an effective date of March 2, 2015.

MRC mineral reserves, shown below, have been developed by Moose Mountain Technical Services with an effective date of July 2, 2015. The mineral reserve is contained within the mineral resource, and is based on the following assumptions:

- Only Measured and Indicated Resource Class materials are included in the reserves;
- A cutoff gold grade of 0.40 g/t is applied;
- In addition to the modelled in-block dilution, a further dilution factor of 1.6% at 0.28g/t gold grade has been applied to account for mining face dilution;
- Additional tonnes from mining dilution are assumed balanced with lost tonnes due to an estimated mining recovery of 98.4% at the average diluted reserve grades;
- Mining recovery is reduced to 40% for material between 0.40 g/t and 0.50 g/t gold cutoff grades.

Summary of Estimated MRC Mineral Reserves

Classification	Mt	Diluted Grade (g/t Au)	Mined Au oz's (000)
	Cut-Off Grade: 0.4 g/t Au		
Touquoy			
Proven Reserves	2.62	1.41	119
Probable Reserves	6.58	1.45	306
Total Proven and Probable Reserves	**9.2**	**1.44**	**425**
Beaver Dam			
Proven Reserves	4.03	1.47	191
Probable Reserves	3.22	1.39	144
Total Proven and Probable Reserves	**7.25**	**1.44**	**335**
Moose River Consolidated			
Proven Reserves	**6.65**	**1.45**	**310**
Probable Reserves	**9.80**	**1.43**	**450**
Total Proven and Probable Reserves	**16.45**	**1.44**	**760**

(1) Mineral Reserves are classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards on Mineral Resources and Mineral Reserves, whose definitions are incorporated by reference into National Instrument 43-101 -- Standards of Disclosure for Mineral Projects ("NI 43-101").

(2) CIM Standards on Mineral Resources and Reserves Definitions and Guidelines defines a ‘Proven Mineral Reserve’ as the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that eventual economic extraction is justified.
(3) CIM Standards on Mineral Resources and Reserves Definitions and Guidelines defines a ‘Probable Mineral Reserve’ as the economically mineable part of an Indicated, and in some circumstances a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that eventual economic extraction can be justified.
(4) Mineral Reserves are mined tonnes and grade; the reference point is mill feed at the crusher.
(5) Diluted grades refer to mining dilution factors applied to the in situ resource grade estimates.
(6) The Mineral Reserves information is based on estimates prepared as of July 2, 2015, by independent Qualified Person, Mr. Marc Schulte, P.Eng., who has the appropriate relevant qualifications, and experience in mining and reserves estimation practices.

There are no known legal, political, environmental or other risks that could materially affect the potential development of the mineral reserve.

The Feasibility Study mine schedule and economic analysis does not include Inferred Resources at MRC of approximately 1.10 million tonnes at 1.40 g/t Au. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Feasibility Study Metrics

The table below lists the key Feasibility Study economic metrics for the MRC Project. The economics take into account the fact that the Company's effective ownership in Touquoy is 63.5%, and that the Company will recover all operational, overhead, financing and sunk costs prior to any distributions to its privately-owned partner in Touquoy. As of June 30, 2016, the total estimated cost to be recovered under the agreement is approximately $47.7 million. The Company holds 100% of Beaver Dam.

Highlights of the MRC Project from the Study

Gold price: US $1,200/oz	MRC Project
Pre-tax NPV (5%)	$236 million
Post-tax NPV (5%)	$168 million
Pre-tax IRR	34.9%
Post-tax IRR	30.0%
Post-tax Payback	2.0 years

The economics have been calculated on an unlevered basis, based on a gold price of US $1,200/oz. and a foreign exchange rate of CAD$1 = USD$0.80. The Feasibility Study has estimated its capital and operating costs, which are detailed in the below table, in Canadian dollars. Substantially all operating costs are Canadian dollar denominated. Given the exchange rate used in the PEA was CAD$1 = USD$0.90, the Company has seen a corresponding increase in the capital expenditures of the project for those components quoted in US dollars, but is more than offset by the benefit realized through the conversion of the US dollar gold price to Canadian dollar gross revenues. The tables below show the sensitivity of after-tax NPV and IRR to changes in the US dollar gold price and the CAD/USD exchange rate.

Sensitivity Analysis on After-Tax NPV

CAD/USD Rate	US$ Gold Price					
	$ 1,000	$ 1,100	$ 1,200	$ 1,300	$ 1,400	$ 1,500
0.75	$ 121,644	$ 159,007	$ 195,961	$ 232,870	$ 269,627	$ 306,338
0.80	$ 98,248	$ 133,306	$ 168,263	$ 202,873	$ 237,465	$ 271,924
0.85	$ 77,643	$ 110,651	$ 143,596	$ 176,431	$ 208,972	$ 241,519
0.90	$ 59,142	$ 90,469	$ 121,644	$ 152,751	$ 183,672	$ 214,393
0.95	$ 42,310	$ 72,354	$ 101,932	$ 131,465	$ 160,956	$ 190,140

Sensitivity Analysis on After-Tax IRR

CAD/USD Rate	US$ Gold Price					
	$ 1,000	$ 1,100	$ 1,200	$ 1,300	$ 1,400	$ 1,500
0.75	24%	29%	33%	37%	40%	43%
0.80	21%	26%	30%	34%	37%	40%
0.85	19%	23%	27%	31%	34%	37%
0.90	16%	20%	24%	28%	32%	35%
0.95	13%	18%	22%	26%	29%	32%

The Feasibility Study economics take into account a 1% royalty payable to the Nova Scotia government (no other mining taxes apply), in addition to the following NSR's:

- 1% relating to production from Touquoy, post exercise of buyback options
- 0.6% relating to production from Beaver Dam

Income taxes are also accounted for using a 15% Federal and 16% Provincial income tax rate.

Capital Costs

Summary of MRC Project Capital Costs ($CDN)

Description	Total Initial Capital Cost ($ 000)	Total Sustaining Capital Cost*** ($ 000)	Total Capital Cost ($ 000)
Mine Development	16,948	2,041	18,989
Processing	51,045	3,948	54,993
Tailings Management Facility	9,158	8,572	17,730
Infrastructure	15,447	10,600	26,047
EPCM	9,955	500	10,455
Indirect and Other Costs*	21,523	(4,787)	16,736
Contingency**	13,260	1,903	15,163
Total	**137,336**	**22,777**	**160,113**

**Sustaining Indirect and other costs includes a credit representing the principal balance of a reclamation bond being returned to the Company.*
***Contingencies are applied according to the degree of certainty of the relevant line item.*
****Total sustaining capital costs includes construction capital expenditures at Beaver Dam.*

The initial capital cost for the MRC Project for the Feasibility Study is estimated to be approximately $137.3 million versus $130.5 million in the Company's PEA. The majority of the increases in initial capital expenditure at Touquoy from the PEA can be attributed to the acknowledgement of a depreciating Canadian dollar versus the U.S. Dollar in which a significant portion of the capex is sourced, as well as a shift in strategy by management to engage Engineering, Procurement, Construction Management ("EPCM") contractors to manage the construction of the MRC Project as opposed to an owner-performed construction process, which serves to mitigate both construction risk as well as financing risk with potential project financiers. Furthermore, in full recognition of seasonal conditions and given the anomalous conditions in Nova Scotia this past winter, a covered crushed ore stockpile has also been added to the initial capital expenditures at Touquoy.

Operating Costs

Summary of MRC Project Operating Costs ($CDN)

Description	Unit Cost/ tonne ($ 000)	Unit Cost/ oz. ($ 000)
Mining*	2.89	304
Processing	11.94	275
Site G&A	2.03	47
Total Cash Operating Costs		**626**
Total All-In Sustaining Costs**		**690**

**Excludes pre-production mining, which is captured under initial capital*

***All-In Sustaining Costs excludes Corporate G&A expenses*

Mineral Resources

The table below is a summary of the mineral resources at the Touquoy, Beaver Dam and Cochrane Hill Projects, as well as the resource relating to the Company's Fifteen Mile Stream Gold Project.

	Tonnes (m)	Grade (g/t)	Contained Gold (oz)
Touquoy*			
Measured & Indicated	10.1	1.5	480,000
Inferred	1.6	1.5	77,000
Beaver Dam*			
Measured & Indicated	9.3	1.4	427,000
Inferred	1.8	1.4	81,000
Cochrane Hill*			
Measured & Indicated	4.5	1.8	252,000
Inferred	5.6	1.6	298,000
Fifteen Mile Stream*			
Inferred	11.7	1.6	584,000
Total Measured & Indicated	**23.9**	**1.5**	**1,159,000**
Total Inferred	**20.7**	**1.6**	**1,040,000**

**The Mineral Resources estimates relate to the Touquoy, Cochrane Hill and Beaver Dam deposits summarized in this report and are based on the following key parameters: (1) There are two main styles of gold mineralization, which are reflected in the geological domaining used in the resource modeling; (2) Drill hole sampling has provided a reasonably representative set of samples of the gold mineralization, (3)* *Multiple Indicator Kriging is an appropriate method for estimating the Mineral Resources in these deposits. Mineral Resources that are not mineral reserves do not have demonstrated economic viability.*

Touquoy - The Touquoy Mineral Resource estimates presented herein are based on a National Instrument 43-101 technical report entitled "Mineral Resource Estimate for The Touquoy Gold Project, Halifax County, Nova Scotia, Canada" dated August 1, 2014 which has been prepared in respect of the Touquoy Gold Project by FSS International Consultants (Aust) Pty. Ltd. ("FSSI") of Beecroft, NSW, Australia. These estimates are inclusive of the Touquoy Mineral Reserves presented in the 'Summary of Estimated MRC Mineral Reserves' table above. The report is available for review on the Company's website and on SEDAR (www.sedar.com).

Cochrane Hill - The Cochrane Hill Mineral Resource estimates are based on a National Instrument 43-101 technical report entitled "Technical Report of the Cochrane Hill Gold Project, Nova Scotia " dated August 1, 2014 which has been prepared in respect of the Cochrane Hill Gold Project by FSS International Consultants (Aust) Pty. Ltd. ("FSSI") of Beecroft, NSW, Australia. The report is available for review on the Company's website and on SEDAR (www.sedar.com).

Beaver Dam – The Beaver Dam Mineral Resource estimates are based on a National Instrument 43-101 technical report entitled "Technical Report of the Beaver Dam Gold Project, Nova Scotia " dated March 2, 2015 which has been prepared in respect of the Beaver Dam Gold Project by FSS International Consultants (Aust) Pty. Ltd. ("FSSI") of Beecroft, NSW, Australia. The report is available for review on the Company's website and on SEDAR (www.sedar.com).

Fifteen Mile Stream - The Fifteen Mile Stream Mineral Resource estimates presented herein are based on a National Instrument 43-101 technical report entitled "Mineral Resource Estimate for The Fifteen Mile Stream Gold Project, Halifax County, Nova Scotia, Canada" dated February 18, 2015 which has been prepared in respect of the Fifteen Mile Stream Gold Project by FSS International Consultants (Aust) Pty. Ltd. ("FSSI") of Beecroft, NSW, Australia. The report is available for review on the Company's website and on SEDAR (www.sedar.com).

Economic Impact Study

In February 2015, the Company announced the results of an Economic Impact Study conducted in respect of the Company's MRC Projects based on the two potential open-pit production scenarios reported in the Company's PEA.

The Company engaged KPMG to produce the Study to be used as the basis for its continuing discussions with the Federal and Provincial governments in respect of the development of the Moose River Consolidated Gold Projects. The Study focuses on job creation, fiscal revenues, and overall economic wealth for the province as well as Canada.

The tables below provide a summary of the economic impact on the province as well as federally under the Base Case and Base plus Cochrane Case, respectively:

Summary of Economic Impact (direct and indirect) on Canada and Nova Scotia – Base Case*

	Economic Benefits to Canada		Economic Benefits to Nova Scotia	
	Construction Phase (Cumulative - 2 years before commencement of production)	Production Phase (Per year)	Construction Phase (Cumulative - 2 years before commencement of production)	Production Phase (Per year)
Value-added [1] (millions $)	93.0	26.5	69.3	19.7
Jobs created	1,005	278	781	228

(person-year equivalent)				
Government revenues [2] (millions $)	5.5	8.1	4.1	10.2

**Base case assumes initial production from Touquoy and Beaver Dam*

Summary of Economic Impact (direct and indirect) on Canada and Nova Scotia – Base plus Cochrane Case**

	Economic Benefits to Canada		Economic Benefits to Nova Scotia	
	Construction Phase (Cumulative - 2 years before commencement of production)	Production Phase (Per year)	Construction Phase (Cumulative - 2 years before commencement of production)	Production Phase (Per year)
Value-added[1] (millions $)	162.3	43.6	120.1	31.5
Jobs created (person-year equivalent)	1,749	455	1,352	367
Government revenues [2] (millions $)	9.7	13.1	7.1	17.0

***Base case plus Cochrane Case assumes Base Case (defined above) plus Cochrane Hill Project.*

1 – Value added refers to the economic definition of wealth created by a project (or its impact in terms of Gross domestic production). It is presented on an undiscounted basis but in 2014 constant dollars. Some of the major contributors to the Value added figures include, (a) salaries and benefits paid to employees by either Atlantic or its suppliers; (b) net revenues to individual businesses and c) the return on capital of businesses
2 – Government Revenues in Canada and Nova Scotia comprise corporate taxes (paid by Atlantic only), personal income taxes, provincial mining taxes (Nova Scotia only), as well as taxes on products.

The total impact on the Canadian economy as a whole compared to the province of Nova Scotia are approximately 30% to 35% higher under the Base case scenario, and 30% to 40% higher under the Base plus Cochrane case, as some of Atlantic's suppliers would likely be based in other Canadian provinces.

The technical information contained in this MD&A was reviewed by Neil Schofield, MS Applied Earth Sciences, MAusIMM, MAIG, a Qualified Person as defined by NI 43-101.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Three months ended June 30, 2016

The Company incurred a net loss of $930,763 during the three months ended June 30, 2016 (2015: $732,313). The most significant operating expenses incurred were management fees, salaries and benefits of $223,112 (2015: $195,538) share-based payments of $160,681 (2015 - $142,817), and professional fees of $109,936 (2015: $167,069). The slight increase in management fees, salaries and benefits is a result of the growth of the Company largely stemming from the commencement of development of the Company's Touquoy Project during the period. Share-based payments represents the Black-Scholes calculated fair value of stock options issued to directors, officers, consultants and employees which vested during the period. The increase in share-based payments is due to an increased number of options vesting during the period as a result of the May 16, 2016 and June 13, 2016 stock option grants to employees of the Company. The decrease in professional fees from the same period in the prior year is a result of a prior year increase in legal fees resulting from the final share settlement of the Company's acquisition of Acadian Mining Ltd. in addition to financing fees paid to the Company's debt advisor as the Company was in the process of seeking project financing.

During the three months ended June 30, 2016, the Company accrued $263,542 of finance costs in respect of standby fees charged on the undrawn balance of the PLF (2015 – nil). Additionally, the Company recognized interest income of $7,067 (2015: $43,496). The decrease in interest income is a direct result of a decrease in the principal balance of the Company's interest bearing GICs during the period compared to the prior year. Further, the Company recorded a deferred tax recovery during the period ended June 30, 2016 of $97,646 to reflect the book to tax difference in value of the Company's convertible debenture which was issued in May 2016 (refer to Convertible Debenture discussion below). As the Company has excess tax assets to offset the deferred tax liability, which was created from the book to tax difference in value of the debenture, the deferred tax liability was reversed, resulting in a deferred tax recovery.

Six months ended June 30, 2016

The Company incurred a net loss of $1,658,988 during the six months ended June 30, 2016 (2015: $1,529,367). The most significant operating expenses incurred were Management fees, salaries and benefits of $479,027 (2015: $387,637), share-based payments of $416,220 (2015 - $364,113), professional fees of $136,038 (2015: $262,692), and office and general of $136,153 (2015: $88,104). The slight increase in management fees, salaries and benefits is a result of the growth of the Company. Share-based payments represents the Black-Scholes calculated fair value of stock options issued to directors, officers, consultants and employees which vested during the period. The increase in share-based payments is due to an increased number of options vesting during the period as a result of the February, May and June 2016 stock option grants to directors, officers and employees of the Company. The decrease in professional fees from the same period in the prior year is a result of a prior year increase in legal fees resulting from the final share settlement of the Company's acquisition of Acadian Mining Ltd. in addition to financing fees paid to the Company's debt advisor as the Company was in the process of seeking project financing. Office and general increased from the same period in the prior year as a result of increased activity of the Company due to the commencement of development of the Company's Touquoy Project.

During the six months ended June 30, 2016, the Company accrued $263,542 of finance costs in respect of standby fees charged on the undrawn balance of the PLF (2015 – nil). Additionally, the Company recognized interest income of $22,169 (2015: $73,314). The decrease in interest income is a direct result of a decrease in the principal balance of the Company's interest bearing GICs during the period compared to the prior year. Further, the Company recorded a deferred tax recovery during the period ended June 30, 2016 of $97,646 to reflect the book to tax difference in value of the Company's convertible debenture that was issued in May 2016 (refer to Convertible Debenture discussion below). As the Company has excess tax assets to offset the deferred tax liability, which was created from the book to tax difference in value of the debenture, the deferred tax liability was reversed, resulting in a deferred tax recovery

Financial Position

Total assets increased to $89,823,160 at June 30, 2016 from $43,922,204 at December 31, 2015. The most significant assets at June 30, 2016 were property, plant and equipment of $34,905,712 (December

31, 2015 - $4,411,126), mineral properties of $14,994,480 (December 31, 2015 – $27,630,686), cash and cash equivalents of $24,603,013 (December 31, 2015 - $10,764,172), and non-current restricted cash of $8,744,000 (December 31, 2016 - $nil). The Company's net working capital position at June 30, 2016 was $21,975,871.

The net increase in property, plant, and equipment of approximately $31 million was largely a result of a $23 million reclassification from mineral properties. Effective May 10, 2016, the Company commenced capitalization of all direct costs related to the development of Touquoy to property, plant and equipment under IAS 16, as management determined that the technical feasibility and commercial viability had been established through the achieved project financing and board approval to develop the project, thereby making it a development stage Company under IFRS. Accordingly, the Company reclassified capitalized costs associated with Touquoy from mineral property exploration costs to mine property and mine construction and development costs within property, plant and equipment. Further increase in the property, plant and equipment balance was a result of the recognition of a reclamation provision of $802,710 (2015 – nil), accretion of $199,393 in respect to non-cash accretion expense recognized from the convertible debenture, and additions of $4.9 million to mine property and mine construction and development for expenditures incurred on Touquoy subsequent to May 10, 2016, with the majority of the balance relating to EPC costs, owner's costs, and earthworks.

The decrease in mineral properties of $12.6 million was largely a result of the reclassification of capitalized Touquoy costs to property, plant and equipment, as discussed above, partially offset by $575 thousand incurred in respect to the continued development of the Company's other Nova Scotia projects, including environmental study work for the Company's Beaver Dam Project.

The increase in cash and cash equivalents during the period of $13.8 million resulted from $2.1 million cash outflow used in operating activities, $20.5 million cash outflow in investing activities of the Company, partially offset by $36.4 million cash inflow from financing activities. Cash inflow from financing activities was in respect to a $26.7 million brokered and non-brokered financing, net of issuance costs, which occurred in May 2016 (refer to Liquidity and Capital Resources discussion below), $229 thousand of proceeds received from option exercises, in addition to $12.4 million proceeds, net of issuance costs, raised from the convertible debenture which was also issued in May 2016 (refer to Liquidity and Capital Resources discussion below). These were partially offset by $2.9 million of transaction fees in respect of the Project Loan Facility. Cash outflows from investing activities included approximately $10.6 million spent in respect of mineral property expenditures , of which a majority of the cost incurred was in respect to the Company's EPC agreement with Ausenco, and other owner's costs in respect to pre-construction work at the Company's Touquoy Gold Project which have since been capitalized to mine property and mine construction and development within property, plant and equipment, in addition to $8.7 million cash outflow to restricted cash for $6 million in cash transferred to the Company's minimum proceeds account in respect of the PLF as well as $2.7 million invested in a restricted GIC (refer to Liquidity and Capital Resources discussion below).

Summary of Quarterly Results

	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Total Revenue (Note 1)	N/A	N/A	N/A	N/A
Net loss for the period	$ (930,763)	$ (728,224)	$ (946,534)	$ (649,305)
Loss per share - basic and diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Total Revenue (Note 1)	N/A	N/A	N/A	N/A
Net loss for the period	$ (732,313)	$ (797,054)	$ (844,382)	$ (113,605)
Loss per share - basic and diluted	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.00)

Note 1 – As the Company has yet to secure a mineral related asset in production, the Company has no Revenue to report during the financial reporting periods noted above.

The net loss increased in Q4 2014 compared to Q3 2014 mostly as a result of increased legal fees in respect of the Company delisting from the ASX, increased bonus payments made to key management involved in the acquisition of Atlantic NL and Acadian, increased professional fees in conjunction with the audit of the 2014 consolidated financial statements of the Company, as well as a decreased amount of interest income given interest income was no longer charged to Atlantic Mining, as Atlantic Mining was a wholly owned subsidiary of the Company in the fourth quarter of the year. The net loss in Q1 2015 decreased compared to Q4 2014 as a result of the absence of the costs noted in Q4 2014 above. This was partially offset by share-based payments recognized during the quarter as a result of the Company's stock option grant in March 2015. The net loss in Q2 2015 remained relatively consistent with the net loss in Q1 2015. The net loss in Q3 2015 compared to Q2 2015 decreased slightly as a result of lower expenses incurred in respect to corporate development and investor relations expenditures, in addition to lower share-based payments recognized during the quarter as a result of fewer stock options vesting during the period from the prior quarter. The net loss in Q4 2015 compared to Q3 2015 increased as a result of increased professional fees resulting from the Company's efforts in obtaining project financing, which was subsequently secured in Q1 2016. The net loss in Q1 2016 compared to Q4 2015 decreased as a result of professional fees expensed during Q4 2015. The net loss in Q2 2016 compared to Q1 2016 increased as a result of finance costs in respect of standby fees charged on the Company's undrawn balance of its PLF, this was partially offset by the deferred tax recovery that was recognized on the issuance of the convertible debenture.

LIQUIDITY and CAPITAL RESOURCES

As at June 30, 2016, the Company had a balance of $24,603,013 in cash deposits and short-term GICs with major Canadian financial institutions (December 31, 2015 - $10,764,172). The cumulative increase of $13.8 million in cash, cash equivalents and current restricted cash from December 31, 2015, is attributable to the following:

<u>Convertible Debentures</u>

On May 10, 2016, the Company completed a non-brokered financing of $13 million by way of issuance of the Debentures. The Debentures carry an interest rate of 8.5%, with the principal payment due on the later of (a) May 10, 2021 and (b) the date that is the earlier of (i) six months after the final maturity date of the Company's $115 million PLF and (ii) May 30, 2022. The principal amount of the Debentures are convertible into common shares of the Company at a conversion price of $0.60 per share, representing a 20% premium to the closing trading price of the common shares of the Company, prior to the date the financing was originally announced. Accrued interest will also be convertible into common shares of the Company but at the market price of the shares at the time of conversion.

The Company may prepay, with notice, all of the principal amount of the Debenture and all accrued and unpaid interest thereon at any time following May 10, 2018. The Debentures are convertible at any time, at the subscriber's option, and are secured by way of a charge against all existing assets of the Company and its material subsidiaries, subordinated to the lenders of the PLF (discussed below).

Brokered/Non-brokered private placements

On May 16, 2016, the Company announced the completion of a bought deal private placement financing for gross proceeds of $14,375,046 (the "Brokered Offering") through the issuance of 23,958,410 common shares of the Company at a price of $0.60 per share (the "Offering Price"), as well as the completion of a non-brokered private placement financing for gross proceeds of $13,544,000 (the "Non-Brokered Offering"), through the issuance of 22,573,329 common shares of the Company at the Offering Price.

Stock option exercise

During the quarter end June 30, 2016, the exercise of stock option awards provided the Company with additional liquidity. (Refer to subsequent events disclosure).

Project Loan Facility

Additionally, to provide further funding of the development of the Company's MRC Project, on May 6, 2016, the Company, through its wholly owned subsidiary Atlantic Mining, executed a syndicated project facility agreement in respect to a $115 million PLF to fund construction costs of the Company's MRC Project. The PLF will carry an interest rate of the Canadian Dealer Offered Rate, or CDOR, plus a margin 5% (pre-Project Completion), reducing to 4.5% post-Completion, and is repayable in quarterly installments over three years post commencement of construction. Drawdown under the Credit Agreement is subject to the satisfaction of certain customary conditions precedent. The PLF will be secured through guarantees and a first ranking charge on all assets of the Company and each of its material subsidiaries.

Additionally, pursuant to the terms of the PLF, the Company is required to maintain certain project covenants as well as a current ratio of at least 1.25:1, at all times commencing from the initial draw down of the PLF.

As at the date of this report, no drawdowns of the PLF had occurred.

Equipment Financing Facility

On May 26, 2016, the Company executed a definitive Master Lease Agreement in respect of a $20 million mining fleet equipment lease facility to fund the Company's acquisition of mining equipment for the Company's MRC Project. The term of the Equipment Facility will be 5 years from delivery, and will be secured by the mining fleet. Title to the mining fleet will transfer to the Company at the completion of the Equipment Facility. The first delivery of part of the mining fleet did not occur until subsequent to June 30, 2016 (refer to Subsequent Events discussion).

Restricted Cash

The Company holds a restricted cash balance of $8,744,000 which includes $6,000,000 held in respect of requirements under the Company's PLF, whereby the Company is required to maintain a minimum of $6,000,000 in a bank account until the PLF is repaid. The remaining $2,744,000 represents 80% of a $3.43 million reclamation performance bond that was issued by way of a surety bond on May 26, 2016 (the "Surety Bond"), through the Company's wholly owned subsidiary, Atlantic Mining NS Corp. ("Atlantic Mining"), and a surety provider. The $3.43 million is the first installment of a $10.4 million phased reclamation security in respect of Touquoy. The phased approach ensures that adequate security is in place before each phase of disturbance, construction and operation at Touquoy. The total $10.4 million financial security is to be posted in full by December 31, 2019 (Note 15).

The surety provider secured the Surety Bond by a line of credit with the Bank of Montreal (“BMO”) at 80% of the value ($2,744,000). As part of the line of credit, BMO required that 100% of the line of credit be collateralized by way of a restricted GIC. The restricted GIC has a maturity date of May 19, 2017, and earns interest at 1.35% per annum.

Commitments

The Company renewed its Vancouver office lease agreement expiring September 30, 2020 and shares office space and related costs with a related company. As part of the office sharing agreement, 15% of the Vancouver office lease rental payment are recoverable from the related company. One of the Company’s subsidiaries has an office lease commitment in Nova Scotia. A summary of the Company’s commitments in respect of the above mentioned leases is set out below:

2016	113,142
2017	227,206
2018	229,050
2019 and thereafter	395,996
	$ 965,394

Crown Lease Agreement

In 2016, the Company finalized a lease agreement in respect of seven parcels of Crown land required within the footprint of Touquoy. Lease payments are $68,300 per annum, continuing until the termination of the lease in February 2026.

Phased Reclamation Bond

As discussed in note 8 the Company is required to post a phased reclamation security in the amount of $10.4 million by December 31, 2019. The various future milestone payments for the reclamation security are as follows:

2016	-
2017	2,100,000
2018	2,600,000
2019	2,100,000
	$ 6,800,000

EPC Agreement

On May 9, 2016, the Company signed a fixed price Engineering, Procurement and Construction (“EPC”) contract in the amount of $87.4 million to build a 2 million tonne per annum process plant, truck shop and office facilities, as well as other support infrastructure related to these facilities for the Company’s Moose River Consolidated Project.

Moose River Resources Inc. (“MRRI”) Option Fee

The Company is required to pay a $500,000 option fee upon initial drawdown of the Company’s PLF to MRRI, who own 36.5% interest in Touquoy, as part of an amended partnership agreement between both parties.

Exploration Tenement Commitments
In order to maintain current rights of tenure to exploration tenements, the Company is required to incur expenditures of approximately $132,421 (December 31, 2015: $216,365) in respect of claim renewal fees and minimum work requirements in 2016.

The Company believes that it has sufficient funding to meet its obligations and to maintain administrative and operational expenditures for the next 12 months.

OFF - BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

SUBSEQUENT EVENTS

a) On July 8, 2016, the Company granted a total of 1,100,000 stock options with an exercise price of $0.73, expiring on April 8, 2023. On July 25, 2016, the Company granted a total of 200,000 stock options with an exercise price of $0.81, expiring on April 25, 2023.

b) Subsequent to June 30, 2016, a total of 1,880,000 stock options were exercised, for gross proceeds of $694,400.

c) Subsequent to June 30, 2016, the Company entered into several equipment lease contracts forming part of the $20 million Equipment Facility which was executed on May 26, 2016, whereby the Company's lender has agreed to underwrite up to $20 million in mining fleet equipment financing to fund the Company's acquisition of mining equipment for the Company's Moose River Consolidated Project. The equipment lease contracts will be accounted for as finance leasing contracts under IAS 17.

O T H E R   M D & A   R E Q U I R E M E N T S

Related party transactions and key management compensation

a) Key management compensation

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

Related Party	**Relationship**	**Compensation Type**	**Three months ended June 30, 2016**	Three months ended June 30, 2015	**Six months ended June 30, 2016**	Six months ended June 30, 2015
Steven Dean	Chairman and CEO	Consulting fees, benefits and share-based payments *	**$ 159,423**	$ 116,038	**$ 357,138**	$ 261,131
Robert Atkinson	Director	Directors' fees and share-based payments	**12,550**	12,217	**29,551**	28,404
Don Siemens	Director	Directors' fees and share-based payments	**12,550**	12,217	**29,551**	28,404
David Black	Director	Directors' fees and share-based payments	**12,550**	12,217	**29,551**	28,404
William Armstrong	Director	Consulting fees, directors' fees and share-based payments **	**29,316**	25,967	**64,840**	55,904
Wally Bucknell	Director	Consulting fees and share-based payments	**57,130**	86,503	**119,548**	180,813
John Morgan	President and COO	Wages, benefits, and share-based payments	**85,748**	73,308	**193,994**	190,952
Chris Batalha	CFO and Corporate Secretary	Wages, benefits, and share-based payments	**44,665**	31,651	**100,512**	72,178
			$ 413,932	$ 370,119	**$ 924,685**	$ 846,190

b) Amounts due to related parties

As at June 30, 2016, the Company owed $10,000 (December 31, 2015: $nil) to Metallica Consulting Services, a company controlled by William Armstrong, a director of the Company.

As at June 30, 2016, the Company owed $37,602 (December 31, 2015: $11,280) to Wally Bucknell, a director of the Company.

As at June 30, 2016, the Company owed $8,420 (December 31, 2015: $82,300) to John Morgan, a director and officer of the Company.

As at June 30, 2016, the Company owed $nil (December 31, 2015: $58,478) to Chris Batalha, the CFO of the Company.

Amounts due to and from related parties are unsecured, non-interest bearing and due on demand.

As discussed above, on May 10, 2016, the Company completed a non-brokered financing by way of issuance of the Debentures, of which $8 million is held by Beedie Investments Ltd., a Company controlled by Ryan Beedie, a director of the Company.

c) Amounts due from related party

The Company charges office lease and administrative expenditures to Oceanic Iron Ore Corp. ("Oceanic"), a Company with officers and a director in common being Steven Dean and Chris Batalha. During the three and six month periods ended June 30, 2016, office lease and administrative expenditures billed to Oceanic amounted to $19,478 and $38,650, respectively (2015: $47,254 and $98,866, respectively). As at June 30, 2016, the Company was owed $19,478 from Oceanic (December 31, 2015: $19,305).

As at June 30, 2016, the Company was owed $21,295 from Sirocco Advisory Services Ltd., a Company controlled by Steven Dean, a director and officer of the Company (December 31, 2015: $nil).

Critical Accounting Estimates and Judgements and Significant Accounting Policies

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the audited annual financial statements for the year ended December 31, 2015, except for the adoption of new standards as described below.

Property, plant and equipment – Mine Property

Mine property consists of development costs carried at cost, less accumulated depletion. Costs of project development are capitalized to mine property within property, plant and equipment. Once the mineral property is in production, it will be depleted using the units-of-production method. Depletion is determined each period using gold equivalent ounces mined over the asset's estimated recoverable reserves.

Property, plant and equipment – Mine Construction and Development

Costs recorded for assets under construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. No depreciation is recorded until assets are substantially complete and available for their intended use.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use are capitalized as part of the cost of the asset. Capitalization of borrowing costs begins when there are borrowings and activities commence to prepare an asset for its intended use. Capitalization of borrowing costs ends when substantially all activity necessary to prepare a qualifying asset for its intended use are complete. When proceeds of project specific borrowings are invested on a temporary basis, borrowing costs are capitalized net of any investment income.

Convertible debenture

The Company's convertible debenture is classified as a liability, less the portion relating to the conversion feature which is classified as a component of equity. As a result, the recorded liability to repay the convertible notes is lower than its face value. The liability was initially recorded at fair value and subsequently at amortized cost using the effective interest rate method; the liability is accreted to the face value over the term of the convertible debenture, and is capitalized to mine property within property, plant and equipment.

Critical accounting estimates and judgements

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are regularly evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the financial statements that could result in a material effect in the next financial year on the carrying amounts of assets and liabilities:

Determination of commercial viability and technical feasibility of the Touquoy Gold Project

The application of the Company's accounting policy for mineral property development costs requires judgement to determine when technical feasibility and commercial viability of Touquoy was demonstrable. The Company considered the positive National Instrument ("NI") 43-101 compliant Feasibility Study, the receipt of key environmental permits, and the completed construction financing and concluded that commercial viability and technical feasibility of Touquoy had been acheived. Accordingly, effective May 10, 2016, the Company commenced capitalization of all direct costs related to the development of Touquoy, and reclassified capitalized costs from Mineral properties to Property, Plant and equipment, and tested for impairment.

Reclamation provision

Reclamation costs are a normal consequence of mining, and the majority of closure and reclamation expenditures are incurred near the end of the life of the mine. The Company's accounting policy requires the recognition of such provisions when the obligation occurs. The initial provisions are periodically reviewed during the life of the operation and updated to reflect new developments or changes in estimates and forecasts. Although the ultimate cost to be incurred is uncertain, the Company estimates its costs based on studies using current reclamation standards and techniques. The initial reclamation provisions together with changes, are capitalized within property, plant and equipment and depreciated over the lives of the assets to which they relate.

The ultimate magnitude of these costs is uncertain, and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new reclamation techniques or experience at other mine sites, and local inflation rates. The expected timing of expenditure can also change, for example, in response to changes in mineral reserves or production rates, timing of planned restart of operations or economic conditions. As a result, there could be significant adjustments to the provision for reclamation, which would affect future financial results.

Hedge Facility – Own Use

Contracts to buy or sell a non-financial item, such as a commodity, that can be settled net in cash or another financial instrument, fall under the scope of IAS 39 and are accounted for as derivatives and marked to market through the statement of loss and comprehensive loss. However, certain criteria exist whereby a contract may fall under an 'own use' exemption, and exempt from the requirements of IAS 39. The determination of the Company's accounting for its gold hedging contracts requires judgment to determine whether the contracts meet the requirements of 'own use', and therefore exempt from IAS 39. An 'Own Use' contract is a contract that was entered into and continues to be held for the purpose of the delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements. In the case of the Company's gold hedging contracts, the Company plans to settle the hedging contracts through the delivery of its own gold production, and therefore, these contracts result, in the physical delivery of a commodity, and as per the PLF, there is a specified schedule whereby the Company will be required to deliver set number of ounces. Given that the Company is neither currently in production nor a Company with a history of production, the Company determined, based on the Company's life of mine plan, that the production of ore will be sufficient to fulfill the physical delivery requirements of the hedge contracts based on the agreed schedule within the PLF.

Convertible Debenture

Measurement of the fair value of the liability component of the convertible debenture includes estimates of (i) the amount and timing of cash flows, and (ii) the Company's cost of debt. Actual results may differ from these estimates

Outstanding Share Data

As at the date of this report, there were 164,553,186 common shares issued and outstanding.

As at the date of this report, there were 13,508,700 stock options outstanding.

As at the date of this report, there were 23,137,361 share purchase warrants outstanding.

Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. Where the Company expects to realize the asset or discharge the liability within twelve months, it is recorded as a current asset or liability; otherwise, it is recorded as a long-term asset or liability.

Financial assets and liabilities at fair value through profit and loss are considered to be held for trading. A financial asset or liability is classified in this category is acquired principally for the purpose of selling or redeeming in the short-term. Derivatives are included in this category unless they are designated as hedges.

Financial assets and liabilities carried at fair value through profit and loss are initially recognized at fair value and are subsequently re-measured to their fair value at each statement of financial position date. Realized and unrealized gains and losses arising from changes in the fair value of these financial assets or liabilities are included in the statement of income in the period in which they arise.

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or not classified in any of the other categories. Available-for-sale assets are initially recorded at fair value plus transaction costs and are subsequently carried at fair value. Unrealized gains and losses arising from changes in the fair value of non-monetary assets classified as available-for-sale are recognized in other comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Other financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received (net of transaction costs) and the redemption value is recognized in the statement of income over the period to maturity using the effective interest method.

Hedge Facility

In order to mitigate gold price risk and as a condition of the PLF, the Company is required to enter into margin free gold forward sales contracts of 215,000 ounces at a minimum Canadian dollar forward price of $1,500. At June 30, 2016, the Company had already executed gold price hedging contracts covering the 215,000 ounces of production. Subsequent to June 30, 2016, the Company finalized and scheduled out its hedged contracts at a flat forward price of $1,550 per ounce (the "Hedge Facility").

For accounting purposes, management has accounted for the Hedge Facility as meeting the requirements of 'Own Use', and thereby exempt from the requirements of IAS 39. An 'Own Use' contract is a contract that was entered into and continues to be held for the purpose of the delivery of the non-financial item in accordance with the Company's expected purchase, sale or usage requirements, or will result in the physical delivery of a commodity, and as per the PLF agreement, there is a specified term whereby the Company will be required to deliver the produced ounces. As a result, the Hedge Facility is not considered a derivative and is not marked to market at each reporting period, and recognition is deferred until settlement and delivery of the gold.

Financial Risk Management

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents, restricted cash, receivables, due from related parties, accounts payable, convertible debenture liability, and due to related parties.

Cash and cash equivalents, receivables, due from related parties, and restricted cash are designated as loans and receivables and are measured at amortized cost.

Accounts payable, convertible debenture liabilities, and amounts due to related parties are classified as other financial liabilities, which are measured at amortized cost.

Financial instruments of the Company as at June 30, 2016 and December 31, 2015 are summarized as follows:

	June 30, 2016		December 31, 2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$24,603,013	$ 24,603,013	$10,764,172	$ 10,764,172
Due from related parties	40,773	40,773	19,305	19,305
Receivables	236,129	236,129	279,563	279,563
Restricted cash - non-current	8,744,000	8,744,000	-	-
Available for Sale Financial Asset	248,077	248,077	248,077	248,077
Accounts payable and accrued liabilities	$ 8,671,764	$ 8,671,764	$ 1,577,265	$ 1,577,265
Due to related parties	56,022	56,022	356,308	356,308
Convertible debenture liability	12,236,856	12,236,856	-	-

Management has determined that there are no embedded derivatives.

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The board approves and monitors the risk management processes.

Credit Risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's exposure to credit risk is on its cash and cash equivalents, receivables, and due from related parties. The Company has concentration of risk with respect to cash being held with two large Canadian financial institutions. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the carrying value of the financial assets noted above.

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are invested in business accounts and term deposits which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and our cash needs over the short term.

The following table summarizes the Company's contractual undiscounted cash flow requirements for financial liabilities as at June 30, 2016 and December 31, 2015:

June 30, 2016

	Less than 1 year	1 - 3 years	Total
Accounts payable and accrued liabilities	$ 8,671,764	$ -	$ 8,671,764
Due to related parties	56,022	-	56,022
Convertible Debenture liability	1,105,000	14,105,000	15,210,000

December 31, 2015

	Less than 1 year	1 - 3 years	Total
Accounts payable and accrued liabilities	$ 1,577,265	$ -	$ 1,577,265
Due to related parties	356,308	-	356,308

Market Risk

Market risk is the risk that the fair market value of the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity and commodity prices. The Company is exposed to market risk in its cash and cash equivalents and available for sale financial asset. The Company manages market risk by investing funds with reputable financial institutions that provide competitive rates of return.

The Company is subject to commodity price risk from fluctuations in the market prices for gold. As discussed above, subsequent to June 30, 2016, the Company finalized and scheduled out its Hedge Facility at a flat forward price of $1,550 per ounce.

The Company's financial instruments are not subject to significant fluctuation due to changes in equity prices of investments included in marketable securities or foreign exchange rates.

The Company's interest rate risk mainly arises from the interest rate impact on its interest income derived from Canadian Dollar cash and deposits, restricted cash, convertible debentures, the Project Loan Facility, and the Equipment Lease Facility. The Company invests surplus cash in fixed rate term deposits. It is the Company's policy to reduce interest rate risk over future cash flows through the use of instruments with a history of returns. A 1% change in interest rates would have a $278,271 impact on net loss and comprehensive loss.

Fair Value

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, due from related parties, restricted cash, accounts payable, and due to related parties approximate their fair values due to their short term nature.

Risks and Uncertainties

The Company is focused on acquisitions or other corporate transactions in gold, base metals, or other mineral-related assets or businesses. Due to the nature of the Company's proposed business, the following risk factors, among others, will apply:

Key Personnel

The Company is dependent upon the services of key executives, including the directors of the Company and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly-skilled employees may adversely affect its business and future operations.

Share Price Volatility and Liquidity

Publicly quoted securities are subject to a relatively high degree of price volatility. It may be anticipated that the quoted market for our shares will be subject to market trends generally, notwithstanding any potential success of us in creating sales and revenues. In addition, our shareholders may be unable to sell significant quantities of shares into the public trading markets without a significant reduction in the price of their shares, if at all.

Exploration, Development and Operating Risks

The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of the minerals and proximity to infrastructure; mineral prices, which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted but could have a material adverse effect upon the Company's operations.

Mining operations generally involve a high degree of risk. The operations of the Company are subject to all the hazards and risks normally encountered in the exploration, development and production of minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

There is no certainty that the expenditures made by the Company toward the search and evaluation of minerals will result in discoveries of mineral resources, Mineral Reserves or any other mineral occurrences.

Political Stability and Government Regulation Risks

The operations of the Company are currently conducted in Nova Scotia, Canada. As such, the operations of the Company may be exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: changing political conditions, and governmental regulations. Changes, if any, in mining or investment policies or shifts in political attitudes in Nova Scotia or Canada more broadly may adversely affect the operations or profitability of the Company. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

Insurance and Uninsured Risks

The business of the Company is subject to a number of risks and hazards in general, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays in mining, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers being reasonable, its insurance may not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or require abandonment or delays in development of new mining properties.

Fluctuations in Metal Prices

The price of the common shares, and the financial results and exploration, development and mining activities of the Company, may in the future be significantly and adversely affected by declines in the prices of gold and other metals or minerals. The prices of gold and other metals or minerals fluctuate widely and are affected by numerous factors beyond the control of the Company such as the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and other foreign currencies, global and regional supply and demand, the political and economic conditions and production costs of major mineral-producing countries throughout the world, the cost of substitutes, inventory levels and carrying charges. Future serious price declines in the market prices of gold or other metals or minerals could cause continued development of and commercial production from the properties in which the Company holds an interest to be impracticable. Depending on the prices of gold and other metals and minerals, cash flow from mining operations could not be sufficient and the Company may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's properties is dependent upon the prices of gold and other metals and minerals being adequate to make these properties economically viable.

In addition to adversely affecting the resource estimates of the Company and its financial condition, declining commodity prices can affect operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or interrupt operations until the reassessment can be completed.