# MANAGEMENT DISCUSSION & ANALYSIS
**For the three months ended March 31, 2019 and 2018**

## ATLANTIC GOLD CORPORATION

Dated: May 12, 2019

Contents

***All amounts are reported in Canadian dollars, unless otherwise stated***

This management, discussion and analysis ("MD&A") has been prepared as of May 12, 2019, and should be read in conjunction with **Atlantic Gold Corporation's** (the "Company" or "Atlantic") unaudited condensed consolidated interim financial statements with accompanying notes for the three months ended March 31, 2019 and 2018 (the "Interim Financial Statements"), as well as the audited consolidated financial statements with accompanying notes for the year ended December 31, 2018 and 2017 (the "Annual Financial Statements") which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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.

This MD&A contains forward-looking information. Please see "Cautionary Statement Regarding Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions used to develop the Company's forward-looking information.

***COMPANY PROFILE AND OVERVIEW***

Atlantic is a well-financed, growth-oriented gold development group with a long-term strategy to build a mid-tier gold production company focused on manageable, executable projects in mining-friendly jurisdictions. The Company is committed to the highest standards of environmental and social responsibility and continually invests in people and technology to manage risks, maximize outcomes and returns to all stakeholders.

Atlantic is currently operating its Moose River Consolidated Mine ("MRC") in Nova Scotia, having declared commercial production in March 2018. Phase 1 operations include the mining of two open-pit gold deposits, Touquoy and Beaver Dam. The Company's planned future development of the region will be based on a central processing facility concept at Touquoy with staged integration of satellite deposits into the production schedule and staged capital expenditures for expansion opportunities managed with cash flow from operations at Touquoy and additional debt capacity as a long-term low-cost gold producer. The execution of this strategy is evidenced in part by the issuance of the Phase 2 Life of Mine Expansion production plan and mineral reserve statement announced on March 25, 2019 which incorporates an additional two satellite deposits, Fifteen Mile Stream, and Cochrane Hill into the MRC production schedule.

Furthermore, in 2018 the Company successfully achieved Phase 3 growth and expansion objectives at the Fifteen Mile Stream, Cochrane Hill, and Touquoy deposits by targeting extensions to these deposits, with the goal of growing and expanding resources and infilling existing resources to M&I categories. This resulted in growth in the reserve base of 27% or 401,000 ounces. All deposits remain open along strike and/or at depth and 2019 will continue to in-fill and test the potential of these mineral resources at Touquoy, Fifteen Mile Stream, Cochrane Hill, and the 149 deposit.

The Phase 4 corridor regional program is underway with the objective to systematically explore the +45km corridor of prospective un-tested structure targeting the Atlantic model for disseminated style gold deposits amenable to open pit mining.

Atlantic is a reporting issuer in British Columbia, Alberta, Ontario and Quebec and its common shares trade on the TSX Venture Exchange under the symbol of "AGB". The Company's registered office is at Suite 2600, Three Bentall Centre, 595 Burrard Street, Vancouver, B.C. Canada, V7X 1L3.

## *KEY MILESTONES AND OUTLOOK*

### Key Milestones and Highlights – First Quarter 2019

- Celebrated one-year anniversary since declaration of commercial production.
- Nominated by the Labour and Advanced Education OHS Division of Nova Scotia for the John T Ryan Safety Trophies Competition, sponsored by CIM, for the second consecutive year.
- Produced 19,612 ounces and sold 19,173 ounces of gold.
- Released updated mineral resource estimates for the Touquoy, Fifteen Mile Stream, and Cochrane Hill deposits, along with an updated Life of Mine plan and reserve statement. Increased mineral reserves by 401,000 ounces or 27%. Mine Life increased to 10+ years through updated Life of Mine production plan.
- Closing of a $9,000,000 strategic investment in Velocity Minerals Ltd.
- Cash costs per ounce during Q1 2019 was CAD $689 per ounce (Q1 2018 cash costs of $549 per ounce) (see Non-IFRS Performance Measures section).
- AISC per ounce sold for Q1 2019 was CAD $874 (Q1 2018 AISC of $751) (see Non-IFRS Performance Measures section).
- Adjusted EBITDA during Q1 2019 was $15.7million (Q1 2018 Adjusted EBITDA was $7.4 million) (see Non-IFRS Performance Measures section).
- AISC Margin per ounce sold for Q1 2019 was CAD$898 (Q1 2018 AISC Margin of $868) (see Non-IFRS Performance Measures section).
- Operating Cash Flow during Q1 2019 was $9.7 million (Q1 2018 Operating Cash Flow was $4.2 million)
- Working capital position of $37.7 million at March 31, 2019 (December 31, 2018, was $44 million).

### Outlook

Throughout 2019, the Company will continue to focus on the following:

- Maintaining target of producing 92,000 - 98,000 ounces of gold at Touquoy at a cash cost of CAD$560 - $610 per ounce (US$420 – US$458 per ounce at an exchange rate of CAD$0.75), and an AISC between CAD$695 and $755 per ounce (US$521 – US$566 per ounce at an exchange rate of CAD$0.75).
- Continued focus on the Company's balance sheet through planned debt reduction.
- Completion of the Fifteen Mile Stream and Cochrane Hill Environmental Impact Statements, targeted submission in Q2 and Q3 2019, respectively.
- Progressing and seeking final approval of the Environmental Impact Statement for Beaver Dam.
- <u>Phase 3 extended resource / reserve expansion program:</u>
    - Fifteen Mile Stream and Cochrane Hill: Conversion of existing inferred mineral resources to indicated or measured categories which may then be considered for inclusion in future reserve estimations and potentially future mine plans.
    - Cochrane Hill: Further testing of the robust zone of mineralization which is interpreted to be open at depth and to the east. In addition, improved structural understanding of the Cochrane Hill deposit will be utilized to identify further prospective zones in the area. Evaluation of the depth potential beneath the higher-grade mineralized shoots defined within the Cochrane Hill Deposit will continue.
    - At Touquoy, a further inferred mineral resource of approximately 48,000 ounces (at a cut-off grade of 0.3 g/t Au) will require in-fill drilling in 2019 with the objective of increasing the reserves.
    - Complete detailed evaluation at the 149 Deposit to define a Mineral Resource and further explore to the east along strike for similar mineralized bodies. The 2019 program has already commenced, with an initial follow-up drill program of approximately 5,200m completed between mid-February to mid-April to further evaluate the strike extensions of both the Limb and Axis Zones within the 149 Deposit and to explore for further extensions

along strike to the east. Results of this work will be reported when assay results are available later in Q2, 2019.

- Concurrent with the drilling programs noted above, further engineering studies will be undertaken to support the completion of a feasibility study. Studies will cover all aspects of mining, processing, tailings and water management to arrive at detailed cost estimates to support project development.

- Phase 4 Corridor Regional Program:

    - Encouraging early results have been received from the Seloam Brook, Mill Shaft, and Cameron Flowage traverses in the Corridor. The Regional Program already warrants additional exploration and follow-up drilling is planned in Q2, 2019 for both the Mill Shaft Zone and Cameron Flowage target areas (located in the vicinity of the Beaver Dam deposit). Evaluation of the Seloam Brook area west of the Fifteen Mile Stream Deposits is also a priority.
    - Elsewhere in the Corridor, eleven exploration target areas were identified by a compilation – interpretation – targeting program in Q1 2019, and these will be a focus of further work, including drill testing, throughout 2019. The program, which is on-going, may ultimately comprise a total of up to 100,000 metres of diamond drilling distributed throughout the Touquoy-Beaver Dam-Fifteen Mile Stream Corridor.
- Commencement of regional exploration of the recently acquired land position in the Southwest of Nova Scotia where the Company's geologists believe there is unexplored potential to host gold deposits similar in style to those contained in the Moose River Corridor.

***OVERVIEW OF OPERATING RESULTS***

| | | For the three months ended March 31, 2019 | For the three months ended March 31, 2018[1] |
|---|---|---|---|
| ***Operating data[3]*** | | | |
| Ore mined | Tonnes | 1,015,107 | 1,094,487 |
| Waste mined | Tonnes | 560,150 | 514,182 |
| Total mined | Tonnes | 1,575,257 | 1,608,669 |
| Waste to ore ratio | | 0.55 | 0.47 |
| Mining rate (total material mined) | Tonnes/day | 17,503 | 17,874 |
| Ore milled | Tonnes | 527,950 | 419,150 |
| Head grade | g/t Au | 1.21 | 1.44 |
| Recovery | % | 95.1 | 94.0 |
| Mill throughput | Tonnes/day | 5,866 | 4,657 |
| Gold ounce produced | ozs. | 19,612 | 18,183 |
| Gold ounces sold | ozs. | 19,173 | 17,187 |
| Average price realized[2] | $/oz. | 1,587 | 1,619 |
| Cash costs[2] | $/oz. | 689 | 549 |
| Average realized margin[2] | $/oz. | 898 | 1,070 |
| All in sustaining costs[2] | $/oz. | 874 | 751 |
| AISC margin[2] | $/oz. | 713 | 868 |
| ***Financial data*** | | | |
| Net Revenue | $ | 30,391,650 | 12,881,462 |
| Mine operating earnings | $ | 9,686,880 | 5,889,743 |

| | | | |
|---|---|---|---|
| Net earnings | $ | 5,333,312 | 3,310,557 |
| Operating Cash Flow | $ | 9,717,430 | 4,214,431 |
| EBITDA[2] | $ | 15,682,149 | 7,313,290 |
| Total cash[4] | $ | 36,123,748 | 25,875,527 |
| Long-term debt at period end | $ | 112,649,331 | 100,160,009 |

(1) MRC commenced commercial production effective March 1, 2018. As such, only financial data from this date are recognized in the Company's Statement of Income and Other Comprehensive Income for the three months ended March 31, 2018, and in this table. Financial operating results prior to that were capitalized to mine development within property, plant and equipment.
(2) Refer to the "Non-IFRS Financial Performance Measures" section.
(3) The operating data for the three month period ended March 31, 2018, in the column above, assume pre-commercial production results are included. For accounting purposes, pre-commercial production mine operating costs have been capitalized to PP&E (see Note 8 of the condensed interim consolidated financial statements for the three months ended March 31, 2019).
(4) The total cash balance in the comparative period March 31, 2018, includes a restricted cash balance of $10,593,432. The restricted cash balance was fully liberated in Q4 2018.

## Operations Discussion

Cash Costs and All-In Sustaining Costs

In Q1 2019, the Company experienced higher than average guidance cash costs and AISC ($689/oz. and $874/oz., respectively). These costs reflect, among other things, lower production partially due to the mining schedule and to the following events:

- expected challenges with respect to winter operating conditions and related planned maintenance shutdowns in the quarter, which included a mill liner change;
- unplanned downtime as a result of several power outages, more volatile weather conditions than expected for a typical Nova Scotian winter, as well as damage to the transformer at the Touquoy mine site.

Cash costs per ounce are also partly higher due to lower ounces produced.

The majority of challenges in Q1 2019 are not representative of expected costs for the full 2019 year as these issues are mostly seasonal and non-recurring in management's view.

The Company continues to anticipate meeting annual production and cost guidance based on planned activities for the remainder of the year.

Gold production and sales

During the first quarter of 2019, Phase 1 operations at MRC produced 19,612 ounces of gold compared to 18,183 ounces of gold production in Q1 2018 (the first two months of Q1 2018 involved initial commissioning and ramp up). The Company sold 19,173 ounces of gold during the first quarter of 2019, with 17,187 gold ounces sold in the same quarter in the prior year.

Mining

During the first quarter of 2019, a total of 1,015,107 tonnes of ore were mined (March 31, 2018 – 1,094,487), at a waste to ore ratio of 0.55:1 (March 31, 2018 – 0.47:1) with a total of 1,575,257 tonnes of material mined (March 31, 2018 – 1,608,669). Mining operations operated at a mining rate of 17,503 tonnes per day (17,874 tonnes per day Q1 2018). The slightly lower mining rate during Q1 2019 reflects scheduled maintenance activities including rebuilds of the mining fleet.

Processing

During the first quarter of 2019, a total of 527,950 tonnes of ore was processed at an average grade of 1.21 g/t Au at an average process recovery of 95.1% (March 31, 2018 – 419,150 tonnes of ore processed at an average grade of 1.44 g/t Au at an average process recovery of 94%). Mill recoveries in Q1 2019 exceed plant design level of 94.0%. Mill throughput averaged approximately 5,866 tonnes per day, which exceeds design throughput (5,479 tonnes per day).

Sustaining capital

The Company incurred a total of $1,636,645 in sustaining capital expenditures during the three months ended March 31, 2019 (March 31, 2018 - $2,028,796). The majority of the expenditures in Q1 2018 were related to scheduled Tailings Management Facility costs for raising the dam embankment to an elevation elevation adequate for the first year of operations. During Q1 2019 sustaining capital expenditures were a combination of continued Tailings Management Facility costs as well as half-life rebuilds of the mobile equipment fleet. This is expected to continue throughout the year.

Growth capital

The Company incurred a total of $1,603,888 in growth capital expenditures during the three months ended March 31, 2019 (March 31, 2018 – $2,762,442). The majority of the expenditures relate to analysis and the redesigning of water reclaim and decant systems within Tailing Management Facility. Additionally, amounts were spent on pumps and flowmeters as part of the Company's water monitoring and management system, as well as the construction of site fencing.

## *FINANCIAL OPERATING RESULTS*

### Results for the three months ended March 31, 2019 and 2018

In the three months ended March 31, 2019 the Company had net income of $5,333,312 and comprehensive income of $5,943,179. Net income increased by $2,022,755, when compared to the 2018 comparative period as the Company commenced commercial production on March 1, 2018, recognizing only one month of mine operating earnings in the same quarter in the prior year. Mine operating earnings during the three months ended March 31, 2019 was $9,686,880 compared to $5,889,742 in the same quarter in the prior year. Finance costs increased by $1,249,009 from the same quarter in the prior year as a result of the Company capitalizing the first two months of finance costs as borrowing costs within property, plant and equipment, pre-commercial production. The Company recognized a $2,929,014 gain on investment in Velocity Minerals Ltd. (discussed in more detail below) as well as other comprehensive income of $609,867 relating a fair value increase in its investment in a private company which holds a carried interest of 40% in the tenements of the Company's Touquoy deposit. The increase in fair value was driven by the increase in mineral reserves at Touquoy that was announced in March 2019. The Company's effective ownership in Touquoy is approximately 63.1%. The Company will recover all operational, overhead, financing and sunk costs plus cost of capital, prior to any distributions to its privately-owned partner in Touquoy. As at March 31, 2019, the total estimated cost to be recovered under the agreement is approximately $171 million.

The income for the three months ended March 31, 2019 and 2018 is comprised of the following items:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| Mine operating earnings | 9,686,880 | 5,889,743 |
| General & Administration | (3,354,085) | (2,427,663) |
| Financing costs | (2,237,796) | (988,787) |
| Gain on investment | 2,929,014 | - |
| Interest and other income | 92,155 | 94,144 |
| **Net income before income taxes** | 7,116,168 | 2,567,437 |
| Deferred income tax (loss) recovery | (1,782,856) | 743,120 |
| **Net income** | $ 5,333,312 | $ 3,310,557 |
| Other comprehensive income from gain on private investment | 609,867 | - |
| **Comprehensive Income** | $ 5,943,179 | $ 3,310,557 |

*Mine operating earnings*

The mine operating earnings for the three months ended March 31, 2019 and 2018 is comprised of the following.

| | 2019 | 2018 |
|---|---|---|
| Revenue | 30,391,650 | 12,881,462 |
| Cost of goods sold (excluding depreciation and depletion) | (13,671,856) | (4,357,163) |
| Depreciation and depletion | (7,032,914) | (2,634,556) |
| **Mine operating earnings** | 9,686,880 | 5,889,743 |

During the three months ended March 31, 2019, the Company sold 19,173 ounces of gold at an average price of $1,587 resulting in net revenue of $30,391,650. As the Company commenced commercial production on March 1, 2018, the comparative 2018 period only includes one month of mine operating earnings. Total revenue for Q1 2018 was $27,791,125, with $12,881,461 being recognized in the statement of income, and $14,909,663 recognized within mineral properties in PP&E. In Q1 2019, the Company delivered 14,876 ounces of gold into fixed price contracts under the Company's Hedge Facility and the remaining 4,297 ounces were sold at spot price (Q1 2018, the Company delivered 8,544 ounces into fixed price contracts and the remaining 8,643 ounces were sold at spot price). Revenue is net of treatment and refining costs which were $45,291 for the three months ended March 31, 2019.

Depreciation and depletion was $7,032,914 for the quarter ended Q1 2019. Most assets are depreciated or depleted on a units-of-production basis over the reserves to which they relate.

*General and administration*

| | Three months ended March 31, 2019 | | Three months ended March 31, 2018 |
|---|---|---|---|
| Cash costs | $ | **1,539,775** | $ 1,280,961 |
| Non-cash costs | | **1,814,310** | 1,146,702 |
| | $ | **3,354,085** | $ 2,427,663 |

In the three months ended March 31, 2019, the Company experienced an increase in general and administration costs over the three months ended March 31, 2018, due to increased professional fees for new systems and efficiencies required at a growing operation (including additional travel to the mine site), additional management fees, salaries and benefits to align compensation with the Company's current stage of operations.

Included in non-cash G&A costs are stock-based compensation of $1,779,240 (2018 - $1,120,695) and depreciation of $35,070 (2018 - $26,007). Stock-based compensation 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 stock-based compensation is due primarily to the stock option grant in February 2019, which increased the total number of outstanding options which are still vesting, as well as the increased share price, which, with all other variables being equal, resulted in a higher fair value per option for the February option grant than for past grants. The number of options increased due to an increase in the number of employees eligible to participate in the Company's stock option plan.

*Finance Costs*

Finance costs are comprised of interest incurred on the Company's long-term debt facilities, and amortization of deferred transaction costs. Prior to the start of commercial production on March 1, 2018, the interest, accretion and amortization of the transaction costs related to the long-term debt facilities were capitalized to mineral properties and expensed thereafter.

Finance costs for the three months ended March 31, 2019 and 2018 were comprised of:

| | Total financing costs - 2019 | Financing costs – expensed 2018 | Financing costs – capitalized 2018 | Total financing costs - 2018 |
|---|---|---|---|---|
| Interest on the PLF | $ - | $ 655,337 | $ 1,272,939 | $ 1,928,276 |
| Interest on RCF | 1,506,947 | - | - | - |
| Amortization of transaction costs on long term debt | 346,328 | 153,086 | 306,173 | 459,259 |
| Interest and accretion of convertible debt | - | 110,887 | 221,659 | 332,546 |
| Financing fees on Equipment Finance Facility | 186,812 | 51,515 | 103,143 | 154,658 |
| Interest charge on lease liabilities | 21,926 | - | - | - |
| Accretion on reclamation provision | 35,450 | 17,962 | - | 17,962 |
| Other financing charges | 140,333 | - | - | - |
| | $ 2,237,796 | $988,787 | $1,903,914 | $ 2,892,701 |

In the three months ended March 31, 2018, total financing costs were $2,892,701, of which $1,903,914 were capitalized to mineral properties and development costs with $988,787 expensed to the statement of income, compared to a total of $2,237,796 finance costs in the current period, which all were expensed to the statement of income, as a result of the Company commencing commercial production on March 1, 2018. Finance costs in the three months ended March 31, 2019 were lower as a result of lower effective interest rate charged on the RCF as compared to the PLF and lower principal balance. Other financing charges incurred in 2019 relate to standby fees charged on the unused facility balance of the RCF, in addition to fees charged on the Company's Letter of Credit drawn on the RCF. Terms of these loans are discussed further in the *Liquidity and Capital Resources* section.*Gain on investment*

In March 2019, the Company completed a strategic investment in Velocity Minerals Ltd. ("VLC"). As at March 31, 2019 the Company recognized a gain of $2,929,014 attributable to the fair value changes between the contract date and the initial recognition of the equity component of the investment. Refer to Financial Position discussion below for further details of the investment in VLC.

*Deferred Income Tax Recovery/(Loss)*

During the three months ended March 31, 2019, the Company recognized a deferred income tax loss of $1,782,856, a non-cash accounting loss, versus a deferred income tax recovery of $743,119 for the three months ended March 31, 2018. The expense in the current period does not represent cash taxes payable at the end of the current period. The expense recognized in the current period is largely a result of taxable temporary differences resulting from the income generated at MRC consuming loss tax pools which are categorized as deductible temporary differences. A deferred income tax asset was not recorded in prior periods as up until 2018, there was no reasonable expectation of realizing such assets through a history of income. Furthermore, taxable temporary differences exist as a result of the Company incurring flow through related expenditures which are capitalized on the Company's balance sheet but have no tax basis as the expenditures are renounced to the related flow through investor.

***EXPLORATION UPDATE***

**Exploration and evaluation expenditures**

During the three months ended March 31, 2019 and 2018 the Company incurred the following exploration and evaluation expenditures on Beaver Dam, Cochrane Hill, Fifteen Mile Stream and Other Nova Scotia Properties:

| Three months ended March 31, 2019 | Beaver Dam | Cochrane Hill | Fifteen Mile Stream | Other | Total |
|---|---|---|---|---|---|
| Compensation | 54,627 | 332,218 | 460,736 | 339,706 | 1,187,287 |
| Environmental | 471,180 | 522,589 | 802,173 | 73,344 | 1,869,286 |
| Permitting and claims | 10,000 | - | 91,917 | 186,246 | 288,163 |
| Assays and metallurgy | 198,442 | 327,745 | 390,526 | - | 916,713 |
| Travel and accommodation | - | 19,012 | 92,235 | 32,951 | 144,198 |
| Drilling and fieldwork | - | 498,388 | 310,594 | 74,333 | 883,315 |
| Equipment and supplies | 4,224 | 23,421 | 178,467 | 220,011 | 426,123 |
| | **$ 738,473** | **$ 1,723,373** | **$ 2,326,648** | **$ 926,591** | **$ 5,715,085** |

| Three months ended March 31, 2018 | Beaver Dam | Cochrane Hill | Fifteen Mile Stream | Other | Total |
|---|---|---|---|---|---|
| Compensation | 10,414 | 188,376 | 474,115 | 141,452 | 814,357 |
| Environmental | 93,855 | 30,929 | 64,374 | 840 | 189,998 |
| Permitting and claims | 11,249 | - | 135,749 | 182 | 147,180 |
| Assays and metallurgy | - | 163,815 | 472,949 | 22,387 | 659,151 |
| Travel and accommodation | - | 5,304 | 14,970 | 1,263 | 21,537 |
| Drilling and fieldwork | - | 239,118 | 1,069,638 | 115,006 | 1,423,762 |
| Equipment and supplies | 4,465 | 47,464 | 142,967 | 71,089 | 265,985 |
| | **$ 119,983** | **$ 675,006** | **$ 2,374,762** | **$ 352,219** | **$ 3,521,970** |

**Phase 3 Expansion Drill Program**

The 2018 Phase 3 Resource Expansion Program successfully identified additional gold resources immediately peripheral to mineral resources previously defined. Compilation and interpretation of the results indicated potential to extend the mineral resources along strike and at depth, particularly at the Egerton-MacLean and Cochrane Hill deposits.

To continue to evaluate these potential targets and to define additional resources to be incorporated in a future updated mineral resource estimation, Resource Extension drill programs were completed at both locations in Q4 2018. At Egerton-Maclean, a total of 11,385 m of diamond drilling was completed in 69 drill holes. At Cochrane Hill, drilling completed a total of 16,242m in 70 drill holes.

Results from the Phase 3 Resource Extension Drill Programs have been released progressively as results have been received, in news releases dated December 5, 2018, January 21, 2019, February 6, 2019 and February 21, 2019.

Compilation and interpretation of the results of the Resource Extension Drill Programs released throughout the Quarter confirmed that gold mineralization was successfully intersected by drilling in the targeted zones beneath, and as extensions to, existing resources.

The Company issued updated Mineral Resource estimates (see Reserves and Resource discussion below) for all deposits in a News Release dated March 13, 2019. Those new Resource estimates form the basis of new Mineral Reserve estimates and an updated Life of Mine Plan for all deposits which was announced in a News Release dated March 25, 2019, as discussed below.

The Phase 3 Resource / Reserve Expansion will continue throughout 2019 as all deposits remain open along strike and/or at depth and further drilling may be undertaken around the designed pit limits. The 2019 program will include:

- Conversion of existing Inferred Mineral Resources within the Fifteen Mile Stream Deposits and at Cochrane Hill to Indicated or Measured categories which may then be considered for inclusion in future Reserve estimations and potentially future mine plans.
- At Cochrane Hill, the program will focus on further testing of the robust zone of mineralization which is interpreted to be open at depth and to the east. In addition, improved structural understanding of the Cochrane Hill deposit will be utilized to identify further prospective zones in the area. The Company also intends on evaluating the depth potential beneath the higher grade mineralized shoots defined within the Cochrane Hill Deposit.
- At Touquoy, a further Inferred Mineral Resource of approximately 55,000 ounces (at a cut-off grade of 0.3 g/t Au) will require in-fill drilling in 2019 with the objective of upgrading the resource category to measured or indicated.
- Complete detailed evaluation at the 149 Deposit to define a Mineral Resource and further explore to the east along strike for similar mineralized bodies. The 2019 program has already commenced with a 6,000 metre follow-up drill program to test the easterly extension at 149. Results are expected to be released later in Q2 2019

**Phase 4 Program**

The Company currently holds approximately 195 km$^2$ of claims in Nova Scotia across four major project areas that constitute the MRC Gold Mine located in Nova Scotia, Canada. The Company's mineral properties within the Moose River Corridor, totalling approximately 129km$^2$, are underlain by units of the Meguma Supergroup which are the preferred host to the style of mineralization being mined by the Company at the Touquoy Gold Mine. These units also host the Beaver Dam, Fifteen Mile Stream and Cochrane Hill gold deposits, located within the Corridor, which are currently incorporated in the Phase 2 Life of Mine Expansion Pre-Feasibility Study announced in a news release dated March 25, 2019.

The Phase 4 Corridor Regional Program was initiated late April 2018, to evaluate the under-explored and geologically prospective 45km trend which extends northeast from its Touquoy gold deposit at MRC, to the Beaver Dam gold deposit and through to the Fifteen Mile Stream gold deposits in the northeast. This trend is underlain by the Moose River Formation, a geological unit comprised of a sequence of folded argillites and greywacke which hosts the gold mineralization at the Touquoy, Beaver Dam and Fifteen Mile Stream deposits. In detail, the mineralization is related to the axial planar region of anticlines, primarily in the argillic units.

The objective of the program is to explore the gaps between the three known deposits along this trend and discover new areas of gold mineralization which could result in the definition of additional mineral resources for incorporation into the Company's growth strategy. Historically this area has had very little exploration, owing largely to the fact that the economic viability of the three known deposits had not previously been properly assessed and in part due to extensive glacial overburden masking bedrock exposures.

Although the program is regional in nature, using its knowledge of Meguma-style mineralization gained from previous exploration and resource definition of the three thematic deposits, proprietary airborne geophysical survey data and other interpretive methods, during 2018 the Company completed approximately 28,600m of diamond drilling in 199 drill holes located along 13 widely spaced yet strategically located drill traverses and at several focused target areas where historical gold anomalism and/or mineralization had been reported.

It was this approach that led to the early discovery of the 149 Deposit.

In addition to additional follow-up drilling completed at the 149 Deposit, discussed below, drilling has also been completed at a second priority target, Seloam Brook, an area to the west of Fifteen Mile Stream where geological interpretation suggests a continuation of the host lithologies and potentially mineralization to the west from the Fifteen Mile Stream Deposits. Anomalous gold mineralization, including some significant intersections, has been located in several holes in favourable locations, highlighting the potential for additional discoveries in this area. Follow-up in this area will be determined on a priority basis as the results of the Corridor Regional Program become available. Results of drilling in the Seloam Brook area were presented in a news release dated September 19, 2018.

Encouraging mineralization was also intersected in drilling at the Mill Shaft Zone and Cameron Flowage targets located in the vicinity of the Company's Beaver Dam Deposit. Results of initial drilling were announced in a news release dated February 20, 2019. Follow-up drilling is planned for both of these target areas in Q2, 2019.

During Q1 2019, a compilation – interpretation – targeting program was undertaken for the Touquoy – Beaver Dam – Fifteen Mile Stream Corridor, with the aim of identifying and ranking additional exploration target areas. Data utilized included reprocessed high-resolution geophysical data, bedrock and till geochemistry, and geological bedrock mapping, as well as drill hole data from the 2018 drill traverse program and historical drill holes. Targeting criteria were developed from the known deposits and were applied to a new structural and stratigraphic interpretation of the Corridor, allowing target areas to be rated and ranked. Four priority targets have been identified, and planning is currently underway for drill testing in Q2 and Q3 2019; a further seven targets will be advanced to drill-ready stage, depending on the outcome of exploration in the priority target areas.

149 Prospect

The first results of the Phase 4 Corridor Regional Program, announced in a news release on June 28, 2018, reported the discovery of a new zone of significant mineralization at the 149 Prospect, approximately 1km east from the Fifteen Mile Stream deposits.

Targeted as part of the Corridor Regional Program on the basis of favourable geological position and historical anomalous mineralization, initial widely spaced drilling produced encouraging results which, when followed up, resulted in the discovery of shallow, near surface gold mineralization over a strike length of 250m.

The gold mineralization is associated with disseminated arsenopyrite and banded pyrrhotite in argillite units on the northern flank of an east-west trending anticlinal structure which appears to dip approximately 60-75° north, may be up to 25m in true thickness and is covered by a modest 5m glacial till cover. On several sections mineralization is within metres of surface.

Subsequent follow-up drilling completed during Q3, 2018 extended the zone of mineralization to over 475m strike length and defined two zones of gold mineralization: a shallow, generally higher grade zone which appears to be related to the axial planar region of a tight anticlinal structure (the "Axis Zone") and a deeper, thicker, but lower grade, zone associated with the over-turned limb of a higher-level overlying anticline (the "Limb Zone"). Results of this additional drilling were announced in a news release dated September 19, 2018

In November-December 2018, a total of 2,497m of diamond drilling was completed in 21 drill holes to extend the higher grade "Axis Zone" to depth and to follow the "Limb Zone" closer to surface. Partial results of this drilling were included in a news release dated January 22, 2019 and final results were announced in a news release dated February 20, 2019.

Encouraging assay results confirmed that the lower grade, disseminated Limb Zone mineralization extends to surface but also is open at depth. The Limb Zone has a minimum strike length of 175m and remained open along strike to the limit of current drilling. Narrow zones of higher-grade argillite hosted gold mineralization do occur within the thicker disseminated mineralization.

Results also confirm that the Axis Zone mineralization continues from surface to depths of approximately 125m vertical and is open at depth. The argillite hosted disseminated mineralization within the Axis Zone is also accompanied by high-grade intersections associated with broad zones of anomalous pyrrhotite and carbonate alteration, but generally devoid of the quartz veining seen in the Fifteen Mile Stream deposits.

The mineralized Axis Zone has been traced over approximately 500m, with closely spaced 25m fences of diamond drilling over a strike length of 300m between Section 14400E to 14700E and further wider spaced drilling which has intersected mineralization over an additional 200m to Section 14900E. Airborne geophysical data suggests the structure continues to the east; to date insufficient drilling has been completed to determine the eastward extent of the 149 Deposit mineralization.

Between mid-February – mid-April 2019, a program of diamond drilling totaling approximately 5,200m has been completed to further evaluate the strike extensions of both the Limb and Axis Zones and to explore for further extensions along strike to the east. Results of this work will be reported when assay results are available later in Q2, 2019.

### *RESERVES AND RESOURCES*

The tables below are a summary of the mineral reserve and resources at MRC. The Mineral Resource update was announced in the Company's News Release dated March 13, 2019. These new Resource estimates form the basis of new Mineral Reserve estimates and an updated Life of Mine Plan for all deposits which was announced in a News Release dated March 25, 2019.

Mineral reserves and resources detailed below are based on the NI 43-101 technical report (*Moose River Consolidated Mine* dated March 9, 2019). Qualified Persons responsible for this report are Neil Schofield, Marc Schulte, Paul Staples, James Millard, Daniel Fontaine and Tracey Meintjes. The full report is available on the Company's SEDAR profile and the Company's website.

## Current Mineral Resource Statement

| | Measured | | | Indicated | | | Measured + Indicated | | | Inferred | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Tonnage (Mt) | Grade (g/t Au) | Contained Gold (000's oz.) | Tonnage (Mt) | Grade (g/t Au) | Contained Gold (000's oz.) | Tonnage (Mt) | Grade (g/t Au) | Contained Gold (000's oz.) | Tonnage (Mt) | Grade (g/t Au) | Contained Gold (000's oz.) |
| **Touquoy** | 3.4 | 1.14 | 124 | 7.9 | 1.27 | 321 | **11.3** | **1.23** | **445** | 1.1 | 1.30 | 48 |
| **Beaver Dam** | 5.1 | 1.28 | 209 | 4.6 | 1.23 | 182 | **9.7** | **1.26** | **392** | 1.0 | 1.41 | 47 |
| **Egerton-MacLean** | 3.4 | 1.22 | 133 | 11.2 | 1.14 | 411 | **14.6** | **1.16** | **544** | 1.4 | 1.28 | 56 |
| **Hudson** | 0.8 | 0.88 | 23 | 1.0 | 0.70 | 22 | **1.8** | **0.78** | **45** | 0.4 | 0.98 | 13 |
| **Plenty** | 1.7 | 1.08 | 60 | 0.9 | 0.93 | 28 | **2.7** | **1.03** | **88** | 0.3 | 1.69 | 15 |
| **Cochrane Hill** | 10.8 | 1.12 | 387 | 6.7 | 1.02 | 219 | **17.4** | **1.08** | **607** | 1.8 | 1.24 | 73 |

*Notes to accompany Resource Tables:*

1. *Mineral Resources have an effective date of February 15, 2019. The Qualified Person for the estimates is Mr. Neil Schofield, MAIG, an employee of FSSI Consultants (Australia) Pty Ltd.*
2. *Mineral Resources are reported at a base case cut-off grade of 0.3 g/t Au. The cut-off grade includes the following considerations: assumption of open pit mining methods; gold price of US $1,400/oz; and an exchange rate of 0.77 US$: CDN$.*
3. *Mineral Resources are reported inclusive of those Mineral Resources that have been converted to Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.*
4. *Estimates have been rounded and may result in summation differences.*

## Current Mineral Reserve Statement

| Classification | Ore Tonnes (Mt) | Diluted Gold Grade (g/t) | Mined Gold oz's ('000's) |
|---|---|---|---|
| **Touquoy** | | | |
| Proven Reserves | 3.36 | 1.10 | 119 |
| Probable Reserves | 7.14 | 1.28 | 295 |
| Existing Stockpile Reserves | 2.41 | 0.57 | 44 |
| **Total Proven and Probable Reserves** | **12.91** | **1.10** | **458** |
| **Beaver Dam** | | | |
| Proven Reserves | 3.81 | 1.54 | 188 |
| Probable Reserves | 3.09 | 1.43 | 142 |
| **Total Proven and Probable Reserves** | **6.90** | **1.49** | **330** |
| **MRC Phase 1 (Touquoy and Beaver Dam)** | | | |
| Proven Reserves | 7.17 | 1.33 | 307 |
| Probable Reserves | 10.23 | 1.33 | 437 |
| Existing Stockpile Reserves | 2.41 | 0.57 | 44 |
| **Total Proven and Probable Reserves** | **19.81** | **1.24** | **788** |
| **Fifteen Mile Stream** | | | |
| Proven Reserves | 5.58 | 1.09 | 196 |
| Probable Reserves | 11.18 | 1.06 | 380 |
| **Total Proven and Probable Reserves** | **16.76** | **1.07** | **576** |
| **Cochrane Hill** | | | |
| Proven Reserves | 10.25 | 1.08 | 355 |
| Probable Reserves | 5.13 | 0.96 | 158 |
| **Total Proven and Probable Reserves** | **15.38** | **1.04** | **513** |
| **MRC, Phase 2 Expansion (Fifteen Mile Stream and Cochrane Hill)** | | | |
| Proven Reserves | 15.83 | 1.08 | 550 |
| Probable Reserves | 16.32 | 1.03 | 539 |
| **Total Proven and Probable Reserves** | **32.14** | **1.05** | **1,089** |
| **Total Moose River Consolidated** | | | |
| Proven Reserves | 22.99 | 1.16 | 857 |
| Probable Reserves | 26.55 | 1.14 | 975 |
| Existing Stockpile Reserves | 2.41 | 0.57 | 44 |
| **Total Proven and Probable Reserves** | **51.95** | **1.12** | **1,877** |

*Notes for the Mineral Reserve Estimates;*

1. *The Mineral Reserve Estimates were prepared by Marc Schulte, P.Eng. (who is also the independent Qualified Person for these Mineral Reserve Estimates), in accordance to the 2014 Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards for Mineral Resources and Mineral Reserves, with an effective date of March 13, 2019.*
2. *The Mineral Reserve estimates are a subset of the February 15, 2019 Mineral Resource estimates (see news release dated March 13, 2019).*
3. *Touquoy Proven Mineral Reserves include existing stockpiled ore of 2.41 Mt at 0.57 g/t gold grade. This material is not included in, and is additional to, the Mineral Resource estimate.*
4. *Mineral Reserves are mined tonnes and grade, the reference point is the mill feed at the primary crusher.*

5. *Mineral Reserves are reported at a cut-off grade of 0.30 g/t Au for Touquoy, Fifteen Mile Stream and Cochrane Hill, and 0.5 g/t Au for Beaver Dam.*

6. *Cut-off grade assumes US$1,300/oz. Au at a currency exchange rate of 0.77 C$ per US$; 99.9% payable gold; $5.00/oz. offsite costs (refining and transport), a 2% royalty; and uses a 92% metallurgical recovery. The cut off-grade covers processing costs of $11.00/t at Touquoy, $8.22/t at Fifteen Mile Stream, $8.64/t at Cochrane Hill, and $18.00/t at Beaver Dam and general and administrative (G&A) costs of $2.50/t.*

7. *Mining recovery of 98.4% and external mining dilution of 1.6% at 0.20 g/t Au grade is applied in addition to the modelled in-block dilution.*

8. *As Touquoy is an ongoing operation, a surveyed topographic surface dated December 31, 2018 is used as the basis for the Mineral Reserves.*

9. *Factors that may affect the estimates include: metal price assumptions, changes in interpretations of mineralization geometry and continuity of mineralization zones, changes to kriging assumptions, metallurgical recovery assumptions, operating cost assumptions, confidence in the modifying factors, including assumptions that surface rights to allow mining infrastructure to be constructed will be forthcoming, delays or other issues in reaching agreements with local or regulatory authorities and stakeholders, and changes in land tenure requirements or in permitting requirement. Any other known legal, political, environmental, or other risks that could materially affect the potential development of the Mineral Reserves are detailed below in the section entitled "Forward-Looking Statements".*

10. *Estimates have been rounded and may result in summation differences.*

### *MRC FORECAST LIFE OF MINE PRODUCTION SCHEDULE*

An updated life of mine production plan incorporating updated reserves for the Moose River Consolidated Mine is presented below. The MRC mine life now eceeds 10 years. It should be noted that this production schedule may change over time due to various factors including delays in permitting, balancing economics and production scheduling, as well as the addition of new reserves from further drilling at Touquoy, Fifteen Mile Stream, Cochrane Hill and the Corridor Regional exploration program. Detailed engineering will commence shortly for the expansion projects and at this time Capital Costs and Operating costs are expected to be similar to those contained in the Technical Report, Moose River Consolidated Project March 2019.

It is anticipated that any reserve additions from Cochrane Hill, the 149 deposit and the Corridor Regional Program will supplement the lower grade production currently scheduled from 2026 onward.

| Total Mine Production - MRC | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year | LOM | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| **TOTAL Ore Milled** | **ktonnes** | **51,954** | **2,240** | **2,240** | **2,315** | **4,115** | **5,330** | **6,000** | **6,000** | **6,000** | **6,000** | **4,844** | **4,000** | **2,869** |
| **AU** | **g/t** | **1.12** | **1.42** | **1.51** | **1.29** | **1.40** | **1.44** | **1.41** | **1.31** | **1.10** | **0.92** | **0.74** | **0.54** | **0.42** |
| **Mill Feed Gold** | **koz.** | **1,877** | **103** | **109** | **96** | **186** | **247** | **272** | **252** | **213** | **178** | **116** | **69** | **38** |
| **PRODUCED GOLD** | **koz.** | **1,736** | **97** | **103** | **91** | **174** | **231** | **254** | **234** | **195** | **161** | **103** | **59** | **32** |
| TOTAL Ore Mined | ktonnes | 49,540 | 2,927 | 2,435 | 3,374 | 6,031 | 7,191 | 8,292 | 7,324 | 5,946 | 4,271 | 1,338 | 411 | - |
| AU | g/t | 1.15 | 1.22 | 1.42 | 1.15 | 1.10 | 1.21 | 1.17 | 1.14 | 1.07 | 1.03 | 1.10 | 1.17 | - |
| TOTAL Stockpile Retreival to Mill | ktonnes | 15,207 | 30 | - | 75 | 300 | 50 | - | 650 | 1,158 | 2,706 | 3,744 | 3,624 | 2,869 |
| AU | g/t | 0.55 | 0.63 | - | 1.30 | 1.15 | 0.69 | - | 0.67 | 0.63 | 0.59 | 0.59 | 0.46 | 0.42 |
| TOTAL Waste Mined | ktonnes | 150,508 | 3,859 | 4,365 | 11,454 | 26,247 | 31,920 | 28,879 | 23,637 | 15,207 | 4,310 | 580 | 51 | - |
| **Touquoy:** | | | | | | | | | | | | | | |
| **Ore Milled from Touquoy** | **ktonnes** | **12,914** | **2,240** | **2,240** | **2,240** | **1,979** | **352** | **-** | **343** | **1,000** | **1,674** | **845** | **-** | **-** |
| **AU** | **g/t** | **1.10** | **1.42** | **1.51** | **1.29** | **1.17** | **1.11** | **-** | **0.62** | **0.62** | **0.53** | **0.42** | **-** | **-** |
| **Process Recovery** | **%** | **93.1** | **95.0** | **95.0** | **95.0** | **94.5** | **94.5** | **-** | **89.0** | **89.0** | **89.0** | **89.0** | **-** | **-** |
| Ore Mined from Touquoy | ktonnes | 10,500 | 2,927 | 2,435 | 2,492 | 2,280 | 365 | - | - | - | - | - | - | - |
| AU | g/t | 1.23 | 1.22 | 1.42 | 1.20 | 1.08 | 1.08 | - | - | - | - | - | - | - |
| Stockpile Retreival to Mill from Touquoy | ktonnes | 3,892 | 30 | - | - | - | - | - | 343 | 1,000 | 1,674 | 845 | - | - |
| AU | g/t | 0.54 | 0.63 | - | - | - | - | - | 0.62 | 0.62 | 0.53 | 0.42 | - | - |
| Waste Mined from Touquoy | ktonnes | 17,343 | 3,859 | 4,365 | 5,172 | 3,605 | 342 | - | - | - | - | - | - | - |
| **Beaver Dam** | | | | | | | | | | | | | | |
| **Ore Milled from Beaver Dam** | **ktonnes** | **6,897** | **-** | **-** | **-** | **236** | **1,678** | **2,000** | **1,657** | **1,000** | **326** | **-** | **-** | **-** |
| **AU** | **g/t** | **1.49** | **-** | **-** | **-** | **1.74** | **1.60** | **1.52** | **1.42** | **1.32** | **1.38** | **-** | **-** | **-** |
| **Process Recovery** | **%** | **95.0** | **-** | **-** | **-** | **95.0** | **95.0** | **95.0** | **95.0** | **95.0** | **95.0** | **-** | **-** | **-** |
| Ore Mined from Beaver Dam | ktonnes | 6,897 | - | - | - | 236 | 1,685 | 2,000 | 1,650 | 1,000 | 326 | - | - | - |
| AU | g/t | 1.49 | - | - | - | 1.74 | 1.59 | 1.52 | 1.42 | 1.32 | 1.38 | - | - | - |
| Stockpile Retreival to Mill from Beaver Dam | ktonnes | 7 | - | - | - | - | - | - | 7 | - | - | - | - | - |
| AU | g/t | 0.62 | - | - | - | - | - | - | 0.62 | - | - | - | - | - |
| Waste Mined from Beaver Dam | ktonnes | 40,384 | - | - | 165 | 9,194 | 13,348 | 9,934 | 5,865 | 1,754 | 124 | - | - | - |
| **Fifteen Mile Stream** | | | | | | | | | | | | | | |
| **Ore Milled from Fifteen Mile Stream** | **ktonnes** | **16,764** | **-** | **-** | **75** | **1,900** | **2,000** | **2,000** | **2,000** | **2,000** | **2,000** | **2,000** | **2,000** | **789** |
| **AU** | **g/t** | **1.07** | **-** | **-** | **1.30** | **1.60** | **1.50** | **1.40** | **1.38** | **1.04** | **0.84** | **0.65** | **0.41** | **0.41** |
| **Process Recovery** | **%** | **88.3** | **-** | **-** | **91.3** | **93.1** | **92.5** | **92.0** | **91.9** | **89.4** | **87.3** | **84.4** | **79.2** | **79.2** |
| Ore Mined from Fifteen Mile Stream | ktonnes | 16,764 | - | - | 883 | 3,448 | 2,874 | 3,446 | 2,743 | 2,144 | 1,226 | - | - | - |
| AU | g/t | 1.07 | - | - | 1.00 | 1.08 | 1.20 | 1.04 | 1.12 | 0.97 | 0.90 | - | - | - |
| Stockpile Retreival to Mill from Fifteen Mile Stream | ktonnes | 6,554 | - | - | 75 | 300 | - | - | 300 | 158 | 932 | 2,000 | 2,000 | 789 |
| AU | g/t | 0.59 | - | - | 1.30 | 1.15 | - | - | 0.72 | 0.70 | 0.70 | 0.65 | 0.41 | 0.41 |
| Waste Mined from Fifteen Mile Stream | ktonnes | 39,384 | - | - | 6,117 | 7,214 | 6,968 | 4,641 | 6,557 | 7,030 | 856 | - | - | - |
| **Cochrane Hill** | | | | | | | | | | | | | | |
| **Ore Milled from Cochrane Hill** | **ktonnes** | **15,380** | **-** | **-** | **-** | **-** | **1,300** | **2,000** | **2,000** | **2,000** | **2,000** | **2,000** | **2,000** | **2,080** |
| **AU** | **g/t** | **1.04** | **-** | **-** | **-** | **-** | **1.24** | **1.30** | **1.25** | **1.30** | **1.25** | **0.97** | **0.66** | **0.42** |
| **Process Recovery** | **%** | **91.4** | **-** | **-** | **-** | **-** | **92.7** | **93.0** | **92.7** | **92.9** | **92.8** | **91.6** | **89.6** | **86.6** |
| Ore Mined from Cochrane Hill | ktonnes | 15,380 | - | - | - | 67 | 2,266 | 2,846 | 2,931 | 2,802 | 2,720 | 1,338 | 411 | - |
| AU | g/t | 1.04 | - | - | - | 0.65 | 0.96 | 1.07 | 1.01 | 1.05 | 1.04 | 1.10 | 1.17 | - |
| Stockpile Retreival to Mill from Cochrane Hill | ktonnes | 4,754 | - | - | - | - | 50 | - | - | - | 100 | 900 | 1,624 | 2,080 |
| AU | g/t | 0.50 | - | - | - | - | 0.69 | - | - | - | 0.64 | 0.63 | 0.53 | 0.42 |
| Waste Mined from Cochrane Hill | ktonnes | 53,397 | - | - | - | 6,233 | 11,262 | 14,304 | 11,214 | 6,423 | 3,330 | 580 | 51 | - |

**Environmental and Permitting**

All major environmental permits are in place for mining and processing operations at Touquoy and baseline environmental data has been collected at Beaver Dam since the late summer and fall of 2014. The permitting process at Beaver Dam is underway with the relevant authorities. As of February 28, 2019, a revised EIS was submitted which responds to information requests that had been received from government agencies (federal and provincial). Approvals from both the federal and provincial environmental assessment offices are expected to be received in Q1 2020. Atlantic Gold currently intends to submit the Environmental Impact Statement for Fifteen Mile Stream and Cochrane Hill in Q2 and Q3 2019, respectively.

***OTHER FINANCIAL INFORMATION***

**Summary of Quarterly Results**

| | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 |
|---|---|---|---|---|
| Revenue [1] | 30,391,650 | 37,643,686 | 41,913,575 | 35,888,640 |
| Net income for the period | **$ 5,333,312** | **$ 8,240,710** | **$ 7,969,986** | **$ 8,342,731** |
| Income per share | | | | |
| Basic | **$0.023** | **$0.035** | **$0.034** | **$0.041** |
| Diluted | **$0.022** | **$0.034** | **$0.033** | **$0.037** |
| | **Q1 2018** | **Q4 2017** | **Q3 2017** | **Q2 2017** |
| Revenue [1] | 12,881,462 | N/A | N/A | N/A |
| Net income (loss) for the period | **$ 3,310,557** | $ (1,149,320) | $ (1,320,198) | $ (992,626) |
| Income (loss) per share | | | | |
| Basic | **$0.017** | $(0.006) | $(0.007) | $(0.006) |
| Diluted | **$0.014** | $(0.006) | $(0.007) | $(0.006) |

(1) MRC began commercial production on March 1, 2018. Revenues earned in the commissioning period in 2017 and January/February 2018 were capitalized to property, plant and equipment.

The Company commenced commercial production at MRC in Q1 2018 resulting in net earnings during the quarter. The increase in net earnings in Q2 2018 to Q4 2018 from Q1 2018 is due to the Company capitalizing all pre-commercial production revenue and operating costs during the first two months of Q1 2018 which were ramp up periods. The decrease in net income in Q1 2019 from Q1 2018 is a result of challenges encountered during the winter months in Nova Scotia during Q1 2019 as well as production planning for operations. Overall production fell within the expected range for the conditions that the Company experienced. Scheduled maintenance activities were also completed in Q1 2019. The Company also recognized higher stock-based compensation expense during Q1 2019 as a result of the February 2019 stock option grant. In historical periods, the quarterly results fluctuate depending on timing of stock option grants and stand by fees related to the Company's long-term debt facilities (as described in the Liquidity and Capital Resources section of this report). The largest stock option grant, in which all eligible employees are considered, is generally in the first quarter ended March 31 which resulted in a higher charge for stock-based compensation expense. The deferred income tax recovery related to the flow-through shares also impact earnings from period to period and are dependent on the amount spent on qualifying expenditures from period to period.

## Financial Position

The following financial data is derived from the Consolidated Condensed Interim Financial Statements for the three months ended March 31, 2019.

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Total cash | $ 36,123,748 | $ 50,280,380 |
| Property, plant and equipment | $ 162,478,757 | $ 163,372,042 |
| Total assets | $ 311,267,208 | $ 302,701,983 |
| Long-term debt | $ 112,649,331 | $ 110,637,187 |
| Total liabilities | $ 151,367,473 | $ 151,325,634 |
| Working capital | $ 37,657,199 | $ 44,297,062 |

The Company's total assets balance has increased over prior year largely as a result of the Company's strategic investment in VLC, partially offset by a decrease in the Company's total cash position. See "Cash Flow" discussion below for impacts from operating, investing and financing activities.

## Investment in Velocity Minerals Ltd.

On March 14, 2019, the Company completed an investment in VLC for a total cash consideration of $9,000,000. Included in the investment was a $5,094,000 secured convertible debenture in VLC, plus an equity component comprising 18,600,000 Units of VLC for cash consideration of $3,906,000. Further, as part of the investment agreement, the Company has the right to designate one individual to be nominated, and if elected, to serve as a director of VLC provided the Company holds at least 15% of the issued and outstanding common shares of VLC, with the number of nominees increasing to two directors if the Company holds 30% or more of the issued and outstanding common shares of VLC. As at March 31, 2019, the Company held 19% ownership interest in VLC.

The convertible debenture earns interest at an annual rate of 8.5% payable semi-annually, over a five-year term. The interest can be paid in cash or common shares of VLC, at the discretion of VLC. The principal amount of the convertible debentures are convertible into common shares of VLC at the election of the Company at a conversion price of $0.25. The convertible debentures are secured with a first ranking charge at any time by way of general security agreement and guarantee from the material subsidiary of VLC. For accounting purposes, the convertible debenture investment is recognised as Fair Value through Profit or Loss ("FVPL"). As at March 31, 2019, the fair value of the convertible debenture was $5,094,000.

The equity component of VLC comprised 18,600,000 Units of VLC, with each Unit consisting of one common share and 1/2 warrant. The warrants are convertible into common shares of VLC at an exercise price of $0.25, with an expiry date of March 14, 2022. For accounting purposes, the Company applied equity accounting over the common shares of VLC as it was concluded that the Company has significant influence over VLC due to its ability to have board representation. As a result, at inception of the investment, the common shares were recognized at cost, with the carrying amount of the investment increasing or decreasing to recognise the Company's share of the profit or loss of VLC at each reporting period. The attributed cost of the common shares at the date of inception was valued using the traded stock price of VLC on March 14, 2019 which was $0.29 per common share by the number of common shares held. The carrying value of the common shares of VLC at March 31, 2019 was $5,394,000.

The warrants have been accounted for as FVPL. The Company used the Black-Scholes option pricing model to calculate the fair value of the warrants held in VLC. As at March 31, 2019, the fair value of the warrants was $1,441,014.

The carrying value of the total investment in VLC as at March 31, 2019 was $11,929,014 (refer to Note 10 of the Company's condensed interim consolidated financial statements as at March 31, 2019).

**Cash flows**

Cash and cash equivalents decreased from $50,280,380 at December 31, 2018 to $36,123,748 at March 31, 2019. Changes in cash from the prior quarter not only reflected continued operating cash flow from operations at Touquoqy, but also the Company's continued investment in growing the business through exploration and development of its other key deposits, along with a strategic investment in Velocity Minerals Ltd.

Cash and cash equivalents decreased $14.2 million from $50.3 million at December 31, 2018 to $36.1 million at March 31, 2019 due to:

- The Company's $9 million strategic investment in Velocity Minerals in March 2019.
- Net settlement of $9.6 million of investing expenditures, the majority of which were accrued in Q4 2019 and settled in Q1 2019, comprised of:
    - $5.4 million investment in exploration activities on the Company's Phase 3 and Phase 4 drilling programs; and
    - $4.2 million development expenditures, comprising environmental permitting, desktop engineering and studies and studies related expenditures on Cochrane Hill, FMS and Beaver Dam
- $3.0 million in growth and sustaining capital expenditures, primarily for the redesign of water reclaim and decant systems, as well as dam raising activities within the tailings management facility.
- $2.2 million in financing activities including interest on the Company's revolving credit facility, and equipment lease payments.

The above reductions in cash are partially offset by $9.7 million in operating cash flow

| | ***Three months ended March 31, 2019*** | *Three months ended March 31, 2018* |
|---|---|---|
| **Cash from operating activities** | | |
| Net income for the period | **$ 5,333,312** | $ 3,310,557 |
| Deferred income tax loss (recovery) | **1,782,856** | (743,120) |
| Gain on investment | **(2,929,014)** | - |
| Amortization | **7,067,984** | 2,660,563 |
| Share-based payments | **2,281,370** | 1,216,654 |
| Interest and other income | **(92,155)** | (94,144) |
| Interest expense and transaction costs | **2,097,463** | 988,787 |
| Net cash provided from operating activities before changes in non-cash working capital | **15,541,816** | 7,339,297 |
| Net changes in non-cash working capital | **(5,824,386)** | (3,124,866) |
| Net cash provided from operating activities | **9,717,430** | 4,214,431 |

Cash flows used in investing activities were $21,702,889 in the three months ended March 31, 2019 compared to $7,235,175 in the comparative period. Investing activities are comprised of the following:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| **Cash from (used) in investing activities** | | |
| Capital expenditures and capitalized pre-commercial production mine operating costs | **(3,629,119)** | (15,325,625) |
| Proceeds from sale of equipment | **472,320** | - |
| Capitalized revenue | **-** | 14,909,663 |
| Exploration and evaluation expenditures | **(9,657,288)** | (6,898,896) |
| Consideration paid on investment | **(9,000,000)** | - |
| Interest received | **111,198** | 79,683 |
| Net cash used in investing activities | **(21,702,889)** | (7,235,175) |

Capital expenditures relate to sustaining and growth capital during the period as discussed above. Exploration and evaluation expenditures are related to Fifteen Mile Stream, Cochrane Hill, Beaver Dam, and the Company's other Nova Scotia exploration properties. Expenditures on Property, plant and equipment and on exploration and evaluation expenditures are discussed in the Properties section of this report.

Cash flows used in financing activities during the three months ended March 31, 2019 were $2,171,173 compared to $3,791,076 cash outflow in the comparative period. Financing activities are comprised of the following:

| | Three months ended March 31, 2019 | Three months ended March 31, 2018 |
|---|---|---|
| **Cash from (used) in financing activities** | | |
| Proceeds from stock option exercise | **97,469** | 66,000 |
| Proceeds from exercise of share purchase warrants | **-** | 777,942 |
| Interest and transaction costs: | | |
| Project Loan Facility | **-** | (3,870,937) |
| Revolving Credit Facility | **(740,864)** | - |
| Equipment Facility lease payments, including interest | **(1,415,267)** | (764,081) |
| Lease payments | **(112,511)** | - |
| Net cash provided (used) in financing activities | **(2,171,173)** | (3,791,076) |

***LIQUIDITY AND CAPITAL RESOURCES***

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, development, exploration and evaluation of assets. The Board does not impose quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

In the management of capital, the Company considers all types of third-party financing, whether through debt, equity, or other means, in addition to cash flow from operations at MRC. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, and acquire or dispose of assets to facilitate the management of our capital requirements. Atlantic prepares annual expenditure budgets that are updated as necessary depending upon various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. As at March 31, 2019, the Company had a balance of $36,123,748 in cash deposits and short-term GICs with major Canadian financial institutions.

The Company has a working capital position as at March 31, 2019 of $37,657,199. Included in this surplus position is $3,896,537 related to the current portion of the Company's debt.

The Company believes that it has sufficient funding to meet its obligations and to maintain administrative and operational expenditures for the next 12 months from existing treasury, estimated future operating cash flows, as well as the revolving credit facility.

The Company has received the following sources of funding:

**Long-term debt**

*Revolving Credit Facility*

On September 20, 2018, the Company signed a credit agreement with a syndicate of lenders for a revolving credit facility (the "RCF") for an aggregate amount of $150,000,000. The term of the RCF is three years, maturing on September 20, 2021, with an annual rolling extension, and no mandatory amortization. Amounts that are borrowed under the RCF will incur variable interest depending on the type of loan borrowed plus an applicable margin ranging from 2.00% to 4.00% determined based on the Company's leverage ratio. There is also a standby fee charged on the undrawn loan balance which rate ranges from 0.75% to 1.00%, depending on the Company's leverage ratio.

The RCF is secured through guarantees and a first ranking charge on all assets of the Company and each of its material subsidiaries. The Company must also maintain certain ratios for leverage and interest coverage. As at December 31, 2018, the Company was in compliance with these debt covenants.

As at March 31, 2019, the Company had drawn down $106,104,793 of debt on the RCF in addition to an $8,300,000 letter of credit drawn in respect of the Company's reclamation bonding requirements with the government of Nova Scotia, leaving a balance of $35,595,207 remaining available for future drawdowns.

*Equipment Facility*

The Company's Equipment Facility was entered in May 2016, for the purpose of funding the Company's acquisition of mining equipment for MRC. The term of the lease is 4-5 years from delivery of the equipment and is secured by the mining fleet. Lease payments under the Equipment Facility are payable on a quarterly basis and comprise principal payments and interest, interest being CDOR plus 3.25%. The lease payment schedule is thus amended for each 90-day period to reflect increases or decreases to CDOR.

As at March 31, 2019, the Company had entered into a total of 30 equipment lease contracts, and as a result has recognized an $11,213,263 lease liability recognized in current and long-term debt, determined as the net present value of the minimum lease payments owing on the executed lease contracts, with a corresponding amount recognized as a non-cash addition to equipment within PP&E.

**Other sources of funding**

*Stock option exercises*

During the three months ended March 31, 2019, the exercise of stock option awards provided the Company with additional liquidity. A total of 90,625 stock options were exercised for total proceeds of $97,469.

**Commitments**

An NSR of 1% is payable in respect of the Touquoy deposit payable to a third party, in addition to a 1% NSR payable to the government of Nova Scotia, as required for all mining operations in the province.

A 3% NSR is payable on production from the Company's 100% owned Cochrane Hill deposit, of which two-thirds can be repurchased by the Company for $1.5 million, and a 1% NSR payable on production from the Company's 100% owned Fifteen Mile Stream deposit. For the Company's 100% owned Beaver Dam deposit, a 0.6% NSR is payable to a private third-party. The Company must also remit a 1% NSR on production from all deposits in Nova Scotia to the government in Nova Scotia.

In order to maintain current rights of tenure to exploration tenements, the Company is required to incur expenditures of approximately $380,000 in respect of claim renewal fees and $2.5 million in minimum work requirements in 2019.

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

## *OFF - BALANCE SHEET ARRANGEMENTS*

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

## *OUTSTANDING SHARE DATA*

As at the date of this report, there were 236,911,065 common shares issued and outstanding and 20,535,625 stock options outstanding.

## *TRANSACTIONS WITH RELATED PARTIES*

### 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:

| Related Party | Relationship | Compensation Type | | Three months ended March 31, 2019 | | Three months ended March 31, 2018 |
|---|---|---|---|---|---|---|
| Steven Dean | Chairman and CEO | Consulting fees, benefits and share-based payments [1] | $ | 702,150 | $ | 443,842 |
| Maryse Belanger | President and COO | Wages, benefits, and share-based payments | | 605,165 | | 360,531 |
| Chris Batalha | CFO and Corporate Secretary | Wages, benefits, and share-based payments | | 323,900 | | 194,709 |
| David Black | Lead Director | Directors' fees and share-based payments | | 77,293 | | 47,164 |
| Robert Atkinson | Director | Directors' fees and share-based payments | | 69,293 | | 47,164 |
| Don Siemens | Director | Directors' fees and share-based payments | | 63,668 | | 47,164 |
| William Armstrong | Director | Consulting fees, directors' fees and share-based payments [2] | | 79,918 | | 58,580 |
| Ryan Beedie | Director | Director's fees | | 56,168 | | 40,289 |
| Wally Bucknell | Director | Consulting fees and share-based payments | | 77,918 | | 70,789 |
| | | | $ | 2,055,473 | $ | 1,310,232 |

(1) Consulting fees are paid to Sirocco Advisory Services, a company controlled by Steven Dean.

(2) Consulting fees are paid to Metallica Consulting, a company controlled by William Armstrong.

**Amount due to related parties**

Amounts due to related parties are as follows:

| | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Sirocco Adivsory Services[1,3] | $ | 12,918 | $ | 484,219 |
| Metallica Consulting Services[2,3] | | 10,250 | | - |
| Directors[3] | | - | | 28,996 |
| Officers[3] | | 2,559 | | 388,226 |
| | $ | 25,727 | $ | 901,441 |

(1) Sirocco Advisory Services, is a company controlled by a director and officer of the Company.
(2) Metallica Consulting Services is a company controlled by a director of the Company.
(3) Amounts due to related parties are unsecured, non-interest bearing and due on demand.

**Amount due from related parties**

The Company charges office lease and administrative expenditures to Oceanic Iron Ore Corp. ("Oceanic"), a Company with officers and directors in common, being Steven Dean and Chris Batalha. During the three months ended March 31, 2019, office lease and administrative expenditures billed to Oceanic amounted to $19,811 (2018: $19,624). As at March 31, 2019, the Company was due $59,676 from Oceanic (December 31, 2018: $39,865).

## *ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS*

Full disclosure of the Company's accounting policies and significant accounting judgments and estimation uncertainties in accordance with IFRS can be found in Note 3 and 5 of its audited consolidated financial statements as at December 31, 2018.

**Changes in accounting standards recently adopted**

*IFRS 16 - Leases*

The following lease accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, the Company applied lease policies in accordance with IAS 17, Leases (IAS 17). Leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases were charged to the statement of income and comprehensive income over the period of the lease. Refer to Note 3 of the Company's condensed interim consolidated financial statements as at March 31, 2019 which outlines the financial effect of adoption of IFRS 16.

Under IFRS 16, at inception of a contract, the Company is required to assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company evaluates whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if the Company has the right to direct the use of the asset. At inception, or on a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- Exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to the statement of income and comprehensive income.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to the statement of income and comprehensive income on a straight-line basis over the lease term.

*Investment in Associates*

An associate is an entity over which the Company has significant influence and is neither a subsidiary nor a joint arrangement. The Company has significant influence when it has the power to participate in the financial and operating policy decisions of the associate but does not have control or joint control over those policies. The Company's investment in the common shares of Velocity Minerals Ltd. has been treated as an investment in associates and has been accounted for using the equity method.

Under the equity method, the Company's investment in the associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of net income and losses of the associate, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate's reserves, and for impairment losses after the initial recognition date. The Company's share of income and losses of the associate is recognized in net income during the period. Dividends and repayment of capital received from an associate are accounted for as a reduction in the carrying amount of the Company's investment. Intercompany balances and interest expense and income arising on loans and borrowings between the Company and its associates are not eliminated.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in an associate is impaired. Objective evidence includes observable data indicating there is a measurable decrease in the estimated future cash flows of the investee's operations. When there is objective evidence that an investment is impaired, the carrying amount of such investment is compared to its recoverable amount, being the higher of its fair value less costs of disposal (“FVLCD”) and value-in-use (“VIU”). If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period in which the relevant circumstances are identified. When an impairment loss reverses in a subsequent period, the carrying amount of the investment is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net income in the period in which the reversal occurs.

The critical estimates and judgements that the Company’s management has made in the process of applying the Company’s accounting policies, apart from the critical judgment discussed below, are disclosed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2018.

*Fair Value of investments in Velocity Minerals Ltd.*

The Company applied judgment when determining the fair value of its convertible debenture investment and warrants held in Velocity Minerals Ltd. (Note 10). Because the closing of the transaction occurred at the end of the reporting period, the consideration paid for the convertible debenture was the assumed fair value of the investment at March 31, 2019. The Company applied the Black-Scholes Stock Option pricing model to determine the fair value of the warrants on March 31, 2019. The assumptions used in preparing the Black-Scholes Stock Option pricing model included volatility and expected life of the warrants. Expected volatilities are based on historical volatilities of stock prices of comparable companies of Velocity Minerals Ltd. The expected life of the warrants represents the period of time that the warrants are expected to be outstanding.

## ***FINANCIAL INSTRUMENTS***

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 party, deposits, investment in a private company, accounts payable, long-term debt, and due to related parties. Classification of the Company’s financial instruments are disclosed in the table above.

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 investment in a private company and the VLC warrants and convertible debentures are categorized as Level 3 on the fair value hierarchy as observable market data for this investment is not available. All other financial instruments are categorized as Level 1. Financial instruments of the Company as at March 31, 2019 and December 31, 2018 are summarized as follows:

| | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets** | | | | |
| Cash and cash equivalents | $ 36,123,748 | $ 36,123,748 | $ 50,280,380 | $ 50,280,380 |
| Due from related parties | 59,676 | 59,676 | 39,865 | 39,865 |
| Receivables | 380,069 | 380,069 | 322,838 | 322,838 |
| Velocity Minerals Ltd. - convertible debentures | 5,094,000 | 5,094,000 | - | - |
| Velocity Minerals Ltd. - warrants | 1,441,014 | 1,441,014 | - | - |
| Investment in a private company | 1,806,000 | 1,806,000 | 1,196,134 | 1,196,134 |
| **Financial liabilities** | | | | |
| Accounts payable and accrued liabilities | $ 14,672,932 | $ 14,672,932 | $ 19,596,272 | $ 19,596,272 |
| Revolving Credit Facility | 105,332,605 | 106,656,751 | 105,389,200 | 106,104,793 |
| Equipment facility | 11,213,263 | 10,603,439 | 8,575,076 | 8,087,016 |
| Due to related parties | 25,727 | 25,727 | 901,441 | 901,441 |

Management has determined that there are no embedded derivatives which require bifurcation.

**Financial Instrument Risk Exposure**

The Company is exposed in varying degrees to a variety of financial instrument related risks.

*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, with cash being held with large Canadian financial institutions and a majority of the receivable balances due from the Canadian government. 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 its cash needs over the short term and over repayment dates into the future as it pertains to the RCF and Equipment Facility.

*Interest Rate Risk*

Interest risk is the risk that the Company's future cash flows and fair values will fluctuate as a result of changes in the market interest rate. The Company's interest rate risk mainly arises from the interest rate impact on interest income derived from Canadian Dollar cash and deposits, restricted cash, and interest expense on the RCF and the Equipment 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. Advances under the RCF bear interest at a variable interest rate depending on the type of loan borrowed plus an applicable margin ranging from 2.00% to 4.00% determined based on the Company's leverage ratio. The Equipment Facility bears interest at a rate of CDOR plus a 3.25% margin. The Company manages this risk by monitoring fluctuations in CDOR and interest rates applicable to the respective drawdown under the RCF, which are not expected to be significant. On an annualized basis, a 1% change in interest rates would have an impact of approximately $665,752 on net income and comprehensive income.

*Price Risk*

The Company is subject to commodity price risk from fluctuations in the market prices for gold. The Company has a Hedge Facility covering the sale of 215,000 ounces at a price of $1,550 per ounce. As at March 31, 2019, there was 143,604 remaining to delivered into the Hedge Facility.

*Currency risk*

The functional currency of the Company is the Canadian dollar. Currency transaction risk and currency translation risk is the risk that fluctuations of the Canadian dollar in relation to other currencies may impact the fair value of financial assets, liabilities and operating results. As of March 31, 2019, the Company had no financial assets or liabilities that were subject to currency translation risk.

## ***NON-IFRS PERFORMANCE MEASURES***

The Company has included certain non-IFRS measures in this MD&A. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable with similar measures by other issuers.

### **Cash costs**

Cash costs is a common financial performance measure in the gold mining industry but with no standard meaning under IFRS. Atlantic reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating cost performance.

Cash costs include production costs such as mining, processing, refining and site administration, less non-cash stock-based compensation divided by gold ounces sold to arrive at total cash costs per gold ounce sold. Costs include royalty payments and permitting costs Production costs are exclusive of depreciation. Other companies may calculate this measure differently. See calculation below.

**All-in sustaining costs**

The Company believes that AISC more fully defines the total costs associated with producing gold. The company calculates all-in sustaining costs as the sum of total cash costs (as described above), corporate general and administrative expense (net of stock-based compensation), reclamation cost accretion and amortization and sustaining capital, all divided by the gold ounces sold to arrive at a per ounce figure.

Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus growth capital.

| | | Three-months ended March 31, 2019 | | Three-months ended March 31, 2018[2] |
|---|---|---|---|---|
| **Gold ounces sold** | | **19,173** | | **17,187** |
| **Total cash costs reconciliation** | | | | |
| Cost of sales | $ | 13,671,856 | $ | 9,676,725 |
| Less: Site stock-based compensation | | (502,130) | | (287,878) |
| Add: Refining fees[3] | | 45,291 | | 40,745 |
| Total cash costs | $ | 13,215,017 | $ | 9,429,592 |
| Total cash cost per ounce sold | $ | 689 | $ | 549 |
| **AISC reconciliation** | | | | |
| Total cash costs | $ | 13,215,017 | $ | 9,429,592 |
| Sustaining capital expenditures | | 1,636,644 | | 2,028,796 |
| Accretion on reclamation obligation | | 35,450 | | 17,962 |
| Amortization of reclamation obligation | | 334,377 | | 149,440 |
| Corporate general and administrative costs[1] | | 1,539,775 | | 1,280,961 |
| | $ | 16,761,263 | $ | 12,906,752 |
| AISC per ounce sold | $ | 874 | $ | 751 |

(1) Corporate general and administrative costs is net of $1,779,240 of stock-based compensation for the three months ended March 31, 2019 (2018 - $1,120,695), in addition to amortization of $35,070 for the three March 31, 2019 (2018 - $26,007).
(2) Cost of sales for the three months ended March 31, 2018 comprises $4,357,163 of operating costs for the month of March 2018 which is recorded in the Company's Statement of Income and Other Comprehensive Income, and $5,319,562 of operating costs which is capitalized (see note 8 of the March 31, 2019 condensed interim consolidated financial statements). Under IFRS operating results are capitalized until commercial production is declared. Included in the $5,319,562 of capitalized mine operating costs are $191,919 stock-based compensation.
(3) Refining fees are netted against revenue in the Company's Statement of Income and Other Comprehensive Income.

**Average realized price and Average realized margin**

Average realized price and average realized margin per ounce sold are used by management and investors use these measures to better understand the gold price and margin realized throughout a period.

Average realized price is calculated as revenue per the statement of income and comprehensive income divided by the gold ounces sold. Average realized margin represents average realized price per gold ounce sold less total cash costs per ounce sold.

| | | Three months ended March 31, 2019 | | Three months ended March 31, 2018[1] |
|---|---|---|---|---|
| Revenue | $ | 30,391,650 | $ | 27,791,125 |
| Add: Refining fees | | 45,291 | | 40,745 |
| Gross Revenue | | 30,436,941 | | 27,831,870 |
| Gold ounces sold | | 19,173 | | 17,187 |
| | | | | |
| Average realized price per ounce sold | $ | 1,587 | $ | 1,619 |
| Less: cash costs per ounce sold | | 689 | | 549 |
| Average realized margin per gold ounce sold | $ | 898 | $ | 1,070 |
| | | | | |
| Average realized price per ounce sold | $ | 1,587 | $ | 1,619 |
| Less: AISC per ounce sold | | 874 | | 751 |
| AISC margin per gold ounce sold | | 713 | | 868 |

(1) Revenue in the comparative period March 31, 2018 of $27,791,125 comprises $12,881,462 of revenue for the month of March 2018 which is recorded in the Company's Statement of Income and Other Comprehensive Income, and $14,909,663 of revenue which is capitalized (see note 8 of the March 31, 2019 condensed interim financial statements). Under IFRS operating results are capitalized until commercial production is declared.

## EBITDA

The Company defines adjusted EBITDA as net earnings/loss before finance costs, finance income, income taxes, capital asset depreciation and amortization, equity-settled stock-based compensation expense and gains/losses on assets, liabilities and investment dispositions. Adjusted EBITDA is a common financial measure used by investors, analysts and lenders as an indicator of cash operating performance, as well as a valuation metric and as a measure of a company's ability to incur and service debt. Our calculation of adjusted EBITDA excludes items that do not reflect our ongoing cash operations, including equity-settled stock-based compensation and charges related to investing decisions, and that we believe should not be reflected in a metric used for valuation and debt servicing evaluation purposes.

While adjusted EBITDA is a common financial measure widely used by investors to facilitate an "enterprise level" valuation of an entity, they do not have a standardized definition prescribed by IFRS and therefore, other issuers may calculate adjusted EBITDA differently. The following is a reconciliation of our net earnings (loss) to adjusted EBITDA.

| | | ***Three months ended March 31, 2019*** | | *Three months ended March 31, 2018* |
|---|---|---|---|---|
| Net earnings | **$** | **5,333,312** | $ | 3,310,557 |
| Deferred income tax loss (recovery) | | **1,782,856** | | (743,119) |
| Depreciation and depletion | | **7,067,984** | | 2,660,563 |
| Share-based payments | | **2,281,370** | | 1,216,654 |
| Financing costs | | **2,237,796** | | 988,787 |
| Unrealized gain on investment | | **(2,929,014)** | | - |
| Interest and other income | | **(92,155)** | | (94,145) |
| **Adjusted EBITDA** | **$** | **15,682,149** | $ | 7,339,299 |

## *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, 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.*

## *RISK AND UNCERTAINTIES*

In addition to the risks noted above, risks related to Financial Instruments as set forth in this MD&A and those risk factors described in the Company's AIF, dated April 19, 2018 and filed on SEDAR, should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business.

### *Qualified Persons*

Kodjo Afewu, PhD: SME Registered Member #4173740, Plant Manager for the Company and a Qualified Person as defined by NI 43-101, has approved the scientific and technical information related to operations matters contained in this MD&A.

Doug Currie, P.Geo., MAusIMM(CP), General Manager of Exploration for the Company and a Qualified Person as defined by NI 43-101, has approved the scientific and technical information related to exploration matters contained in this MD&A.

## *APPROVAL*

The Audit Committee and the Board of Directors of Atlantic approved the disclosure contained in this MD&A on May 12, 2019. A copy of this MD&A along with additional information, is available on the Company's and the SEDAR website at www.sedar.com.