ATLANTIC GOLD

MANAGEMENT DISCUSSION & ANALYSIS

For the years ended December 31, 2017 and 2016

ATLANTIC GOLD CORPORATION

Dated: April 19, 2018

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GENERAL

This management, discussion and analysis ("MD&A") has been prepared as of April 19, 2018, and should be read in conjunction with **Atlantic Gold Corporation's** (the "Company" or "Atlantic") audited consolidated financial statements with accompanying notes for the years ended December 31, 2017 and 2016 (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"). All amounts are reported in Canadian dollars, unless otherwise stated. Additional information on the Company, including the Company's Annual Information Form can be found in the filings with Canadian security commissions on SEDAR at www.sedar.com.

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 Canadian-based gold producer engaged in gold production and in the acquisition, exploration and development of precious metal mineral properties. Atlantic currently operates the Moose River Consolidated ("MRC") mine in Nova Scotia, Canada which is comprised of the Touquoy, Beaver Dam, Cochrane Hill and Fifteen Mile Stream gold deposits. The MRC gold mine commenced commercial production on March 1, 2018.

Atlantic is a reporting issuer in British Columbia and its common shares trade on the TSX Venture Exchange under the symbol of "AGB". The Company's registered office is at Suite 3083, Three Bentall Centre, 595 Burrard Street, Vancouver, B.C. Canada.

KEY MILESTONES AND OUTLOOK

Key Milestones

- As of December 31, 2017, the Company had substantially completed the construction of the MRC mine facilities, development of the Touquoy pit and was at an advanced stage of commissioning the mill. There were 12,995 ounces produced in the period to December 31, 2017 and commercial production was declared on March 1, 2018.
- The Company's Project Loan Facility ("PLF") for $115 million was fully drawn in 2017 with $81 million drawn in the year ended December 31, 2017.
- In the second half of 2017 the Company issued 12.9 million shares for gross proceeds of $21,279,325 of which $14,052,525 were raised from flow-through shares which will be used for qualifying exploration expenditures to be incurred by December 31, 2018.
- On January 29, 2018, the Company announced the results of the Phase 2 Life of Mine Expansion Pre-Feasibility Study in accordance with NI 43-101 which identified Mineral Reserves at Cochrane Hill and the Fifteen Mile Stream deposits. The NI 43-101 report is filed on the Company's website and on SEDAR.
- Submission of an Environmental Impact Statement for the Beaver Dam deposit in June 2017.

Outlook

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

- Producing 82,000 - 90,000 ounces from Touquoy in 2018 at a cash cost of CDN $500 - $560 per ounce, and an All-in-Sustaining Cost between CDN $675 - $735 per ounce.
- Progressing and seeking approval of the Environmental Impact Statement for Beaver Dam which was submitted in June 2017.
- Planning for Cochrane Hill and Fifteen Mile Stream Environmental Impact Statement, with submissions expected in 2018.
- Completion of the Phase 3 Expansion drilling program at Fifteen Mile Stream and Cochrane hill which is a program designed to target extensions of mineralization and define/ upgrade inferred resources not included in the Company's Pre-Feasibility Study released in January 2018.
- A Phase 4 regional diamond drilling program commencing in April 2018 will systematically explore the corridor of prospective structure targeting the Atlantic model for disseminated style gold deposits amenable to open pit mining.
- Prepare updated Mineral Reserves statements for Cochrane Hill and Fifteen Mile Stream

MOOSE RIVER CONSOLIDATED

Phase 1 of the MRC mine comprised two deposits in close proximity, Touquoy and Beaver Dam ("Phase 1"). Upon finalization of a feasibility study 43-101 technical report, the Company made the decision to move forward with the development of the MRC mine, which it did throughout 2016 and 2017 and started commercial production on March 1, 2018.

The MRC Phase 2 expansion plan was completed in early 2018 and proposes to expand the MRC mine plan to include production from Fifteen Mile Stream and Cochrane Hill ("Phase 2") as set out below. The Phase 3 Expansion drilling program is underway and is discussed below.

Reserves and resources

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

The technical information contained in this Management Discussion and Analysis was reviewed by Wally Bucknell, Bsc (Hons), FAusIMM, a Qualified Person as defined by NI 43-101.

The table below is a summary of the mineral reserve and resources at MRC, Phase 1 (Touquoy, and Beaver Dam) and MRC Phase 2 (Cochrane Hill and Fifteen Mile Stream gold deposits).

	Tonnes (m)	Grade (g/t)	Contained ounces		
			Proven and probable	Measured and indicated	Inferred
Touquoy					
Proven and probable	9.2	1.44	425,000		
Measured & Indicated	10.1	1.48		479,000	
Inferred	1.6	1.52			77,000
Beaver Dam					
Proven and probable	7.3	1.44	335,000		
Measured & Indicated	9.3	1.43		427,000	
Inferred	1.8	1.37			81,000
Cochrane Hill					
Proven and probable	11.2	1.10	393,000		
Measured & Indicated	10.7	1.16		398,000	
Inferred	1.6	1.32			69,000
Fifteen Mile Stream					
Proven and probable	10.8	1.24	432,000		
Measured & Indicated	10.6	1.33		452,000	
Inferred	6.6	1.12			240,000
			1,585,000	1,756,000	467,000

The above mineral reserves and resources are based on the NI 43-101 technical report *Moose River Consolidated Phase 1 and Phase 2 Expansion* dated January 24, 2018, prepared by an independent Qualified Person, Mr. Marc Schulte, P.Eng. (the "January 2018 Study"), and can be found on the Company's website and on SEDAR.

Touquoy measured, indicated and inferred estimate - dated August 1, 2014. Mineral resources are reported at a cut-off grade of 0.50 g/t Au, which assumes a gold price of US$1,300/oz. at a currency exchange rate of 0.80 C$ *per US$.*

Beaver Dam measured, indicated and inferred estimate - dated March 2, 2015. Mineral resources are reported at a cut-off grade of 0.50 g/t Au, which assumes a gold price of US$1,300/oz. at a currency exchange rate of 0.80 C$ *per US$.*

Cochrane Hill and Fifteen Mile Stream measured, indicated and inferred estimate – dated July 20, 2017. Mineral resources are reported at a cut-off grade of 0.35 g/t Au, which assumes a gold price of US$1,300/oz. at a currency exchange rate of 0.80 C$ *per US*$; mining costs of $3.25/t, process costs (including general and administrative costs of $11.73/t; 95% process recovery; and overall pit slope angle of 45°.

Production Profile

The table below sets out gold production from the MRC mine over the life of mine per the January 2018 Study and includes production from Touquoy, Beaver Dam, Fifteen Mile Stream and Cochrane Hill.

	Waste (000's tonnes)	Ore processed (000's tonnes)	Gold production (000's ounces)
Pre-production	2,639	-	-
2018	5,616	1,800	74
2019	4,897	2,000	96
2020	6,795	2,000	94
2021	15,413	3,700	171
2022	29,187	5,700	231
2023	26,711	6,000	254
2024	16,448	6,000	245
2025	6,306	6,000	202
2026	838	3,747	80
2027	-	1,457	13
Life of mine production	114,850	38,404	1,460
Overall strip ratio		3.0	
Life of mine cash operating costs ($/oz)		$643	
Life of mine cash all-in sustaining costs ($/oz)		$692	

The pre-tax net present value is $612 million ($422 million after-tax) with a 5% discount rate and assuming a gold price of UDS$1,300 and an exchange rate of $0.80.

Property Description

Touquoy

The Touquoy deposit is located at the former village of Moose River Mines about 70 minutes' drive via 110km of sealed road north-east from the provincial capital of Nova Scotia, Halifax. The Touquoy property covers an area of approximately 1,760 hectares and hosts the MRC mill and other mine administration infrastructure. Atlantic has an effective ownership interest of 63.5% in the Touquoy deposit, is the project operator and manager, and will recover all capital and operating costs prior to any partner distributions.

The Touquoy deposit is secured under a Mineral Lease (ML11-1) comprising 49 claims and a surrounding exploration license (EL10377) comprising 64 claims, the total of both titles covering an area of approximately 1,760 hectares.

A net smelter return royalty ("NSR") of 3% is payable in respect of the Touquoy deposit, two-thirds of which can be purchased for $2.5 million. The Company expects to exercise this buy-back option on Touquoy. In addition to the NSR, Touquoy is subject to a 1% royalty payable to the government of Nova Scotia.

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

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

Beaver Dam

The 100% owned Beaver Dam Property is located in historical Beaver Dam Gold District in Halifax County, approximately 37 kilometres by road from the Touquoy property, is approximately 1,184 hectares. The area is uninhabited with the closest residences situated 5 km away. The property is held under a single exploration license, EL50421, which is comprised of 76 contiguous claims.

For Beaver Dam is subject to a 0.6% NSR is payable to a private third-party and a 1% NSR on production from Beaver Dam to the government of Nova Scotia.

Cochrane Hill

The Cochrane Hill gold deposit is a 100% owned Pre-Feasibility stage development project. It is located approximately 80 kilometres east of the central milling facility at Touquoy and about 35 kilometres south of the town of Antigonish. It is accessible via a highway which passes within 300 metres of the old Cochrane Hill mine site.

The Cochrane Hill gold deposit is secured under a single exploration license comprising 76 claims. The Cochrane Hill gold deposit is located entirely within ungranted Crown lands. A 3% NSR is payable on production from Cochrane Hill, of which two-thirds can be repurchased by Atlantic Gold for $1.5 million.

Fifteen Mile Steam

Fifteen Mile Stream is a 100% owned property located in eastern Halifax County, Nova Scotia, approximately 95 kilometres northeast of Halifax and approximately 57 kilometres northeast of the central milling facility at Touquoy and is readily accessible by highway. It comprises the historic Fifteen Mile Stream gold district.

The Fifteen Mile Stream Property is secured under two exploration licenses comprising 31 claims, as well as a special license comprising eight claims. All licenses cover a total of 701 hectares. A 3% NSR is payable on production from Fifteen Mile Stream, of which two-thirds can be repurchased by Atlantic Gold for $1.5 million.

Phase 1

The July 2, 2015 feasibility study, *Feasibility Study for Moose River Consolidated Project, Nova Scotia* established the proven and probable reserves for Phase 1 and is based on the developing the deposits as conventional surface open pit mining operations with drill/blast/load/haul activities utilizing a leased production fleet operated by Company employees. Initial production commenced at Touquoy in late 2017, where the relatively low strip ratio and short haul to external waste dumps translates to a smaller production fleet, minimizing production costs in the process. Commercial production began March 1, 2018.

Beaver Dam, as a satellite operation, will require minimal infrastructure to supply basic office facilities and equipment maintenance requirements. The mining fleet at Touquoy will be transitioned to Beaver Dam and expanded due to the higher rate of material movement. Ore will be crushed at a location adjacent to the Beaver Dam pit near Highway 224 and then loaded onto highway trucks which will transport it along a combination of private logging and public roads to the MRC processing facility located on the Touquoy property. Beaver Dam waste rock will be placed as close to the pit as practical to minimize waste haulage costs. Other than primary crushing, there will be no treatment of material at Beaver Dam and

therefore no plant or tailings management facility is required there. Beaver Dam has estimated recoverable gold of 315,000 ounces.

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

Phase 2

Phase 2 mining operations are planned to be typical of similar small-scale open pit operations in flat terrain. They are conventional drill-blast-load-haul open pit operations with excavators and haul trucks supported by ancillary equipment.

Ore treatment at both locations will be essentially the same, with some differences in equipment sizes to suit ore properties such as ore hardness. The ore will be crushed in a three-stage crushing unit, essentially the same as that installed at Touquoy. A ball mill will grind the ore to a P80 of approximately 240 micrometers for Fifteen Mile Stream and 350 micrometers for Cochrane Hill. A part of the cyclone underflow will be screened and the undersize will be treated in two centrifugal gravity separators. The concentrate will be collected in custom made tote containers. It is expected that gold recovered in gravity concentrate will be significant and at times represent up to 60% of total gold production. The cyclone overflow will be treated in a split circuit with conventional flotation and hydrofloat separation to produce a concentrate. The concentrate will be cleaned, thickened and filtered. The tailings `will be pumped to a conventional tailings management facility.

Both concentrates will be trucked to the Touquoy processing facility, the gravity concentrate in tote boxes, the flotation concentrate as a bulk solid. The gravity concentrate will be treated in a new intensive cyanide leach unit and gold recovered from new electrowinning cells. The flotation concentrate will be fed into the cyclone feed pump of the existing circuit and gold will be recovered in the existing carbon-in-leach ("**CIL**") circuit. An extra tank will be provided in the CIL circuit to allow for increased volume throughput but the carbon treatment and gold recovery circuit has sufficient existing capacity.

Cash operating costs

The cash operating costs of the MRC project are expected to be:

		Phase 1		Phase 2	
		Touquoy	Beaver Dam	Fifteen Mile Stream	Cochrane Hill
Mining	$/tonne milled	$ 10.10	$ 17.10	$ 9.40	$ 10.80
Processing	$/tonne milled	8.90	15.30	7.90	8.30
General and administration	$/tonne milled	1.90	2.20	1.90	1.90
Total	$/tonne milled	$ 20.90	$ 34.60	$ 19.20	$ 21.00
Annual average cash costs	Millions of $	$ 41	$ 69	$ 39	$ 43

		Phase 1	Phase 2
Life of mine costs	$/ounce	$626	$627
Sustaining costs	$/ounce	$690	$692

Capital Costs

Initial capital costs include contingency, owner's costs, engineering, procurement and construction costs, new mine equipment and infrastructure. Estimates incorporate current data from the recently constructed processing facilities at Touquoy. The modifications required to the Touquoy procession facilities to treat the gravity and flotation concentrates from Phase 2 are estimated at $4.3 million and this amount is included in the estimated capital costs for Fifteen Mile Stream. Incremental sustaining capital expenditures for the MRC Phase 2 expansion are estimated at $48.2 million.

	Phase 1		Phase 2	
(Millions of $)	Touquoy	Beaver Dam	Fifteen Mile Stream	Cochrane Hill
Mine development	$17	$1	$16	$27
Processing	51	3	52	56
Tailings management	9	1	-	-
On-site infrastructure	14	4	12	11
Off-site infrastructure	2	6	6	6
Growth	-	-	1	-
Direct Costs	93	15	87	100
Indirect	15	1	16	15
Owners	16	-	7	6
Contingency	13	2	13	15
Indirect cots	44	3	36	36
	$137	$18	$123	$136

Environmental and Permitting

All major environmental permits are in place for mining and processing operations at Touquoy and background environmental information has been collected at Beaver Dam since the late summer and fall of 2014. The permitting process at Beaver Dam is underway with the relevant authorities. At the Report effective date, information requests had been received from government agencies (federal and provincial) and were being processed by Atlantic Gold. Approvals from both the federal and provincial environmental offices are expected to be received in 2018. Atlantic Gold currently intends to submit the Environmental Impact Study for both Cochrane Hill and Fifteen Mile Stream during the fall of 2018.

Phase 1 Update

Construction of the MRC mine started in the second quarter of 2016 and dry commissioning commenced in August 2017. During the year ended December 31, 2017, the Company completed construction for all facilities, including the mine, processing plant, tailings dam and all ancillary infrastructure. The crushing circuit dry commissioning started in late August, followed by the grinding mill and both the gravity and leach circuits. The tailings dam construction progressed to commissioning height. Commercial production commenced March 1, 2018.

The Company funded the initial capital costs of the MRC project with the PLF of $115 million and a Convertible Debenture (the “Debenture”) of $13 million. The proposed use of these proceeds, along with the existing treasury balance at the time of funding were $137 million. The project is substantially complete as of December 31, 2017 and on budget in all material respects. As at December 31, 2017 the MRC mine was in the commissioning phase. Revenues of $12,429,542 and related operating costs during the commissioning period are capitalized and included in the carrying value of the property.

The Company incurred $364,512 on Beaver Dam in the year ended December 31, 2017 compared to $764,522 in the year ended December 31, 2016. The focus at Beaver Dam is to secure the permits which is expected in 2018.

Phase 3 Expansion Drilling Program

The Company completed its Phase 3 Expansion drilling program at Fifteen Mile Stream and Cochrane Hill in the first quarter of 2018. The objectives of the Phase 3 Expansion drilling program were to:

- identify additional gold resources immediately peripheral to those resources previously defined at Fifteen Mile Stream and Cochrane Hill,
- at Cochrane Hill and at Fifteen Mile Stream – particularly at the Hudson and Plenty zones, to upgrade previously defined inferred resources to measured and indicated categories, and
- to seek additional new resources within the 350-metre gap between the Plenty and Egerton MacLean zones at Fifteen Mile Stream.

The Phase 3 Resource Expansion diamond drilling program at Fifteen Mile Stream drilled 185 holes to December 31, 2017and was completed at the end of February with a total of 221 holes for 24,325m having been drilled. Holes were generally drilled on 25m x 20m centres, although for the first-pass drilling along the 350m gap between Plenty and Egerton MacLean holes were drilled on 50m-spaced sections. The Phase 3 Resource Expansion diamond drilling program at Cochrane Hill was completed at the end of February, 2018 with a total of 44 holes for 6,900 metres having been drilled. The Company currently plans to have the updated estimates completed during the second half of 2018 when all the results have been received and analysed.

Exploration and evaluation expenditures

During the years ended December 31, 2017 and 2016 the Company incurred the following exploration and evaluation expenditures on Cochrane Hill and Fifteen Mile Stream:

	Cochrane Hill		Fifteen Mile Stream and Other	
	2017	**2016**	**2017**	**2016**
Salaries and consulting fees	$ 797,893	$ 321,882	$ 851,950	$ 110,079
Environmental	212,305	22,240	282,272	-
Permitting and claims	21,773	13,640	124,857	274,762
Assays and metallurgy	829,851	230,459	1,901,578	86,559
Travel and accommodation	43,573	4,107	59,402	1,737
Drilling and fieldwork	3,082,954	1,106,728	4,527,492	187,786
Equipment and Supplies	358,653	165,665	512,727	37,408
	$ 5,347,002	$ 1,864,721	$ 8,260,278	$ 698,331

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Selected Annual Information

	December 31, 2017	**December 31, 2016**	**December 31, 2015**
Revenue	nil	nil	nil
Loss	$ (4,924,457)	$ (4,891,453)	$ (3,125,206)
Loss per share, basic and diluted	$ (0.03)	$ (0.03)	$ (0.03)
Total assets	$ 258,565,362	$ 145,689,217	$ 43,922,204
Non-current liabilities	$ 109,683,998	$ 1,581,624	nil
Dividends	nil	nil	nil

Over the period from January 1, 2015 to December 31, 2017, the Company was involved in exploration and development of gold mineral properties. The activities increased significantly in mid-2016 when funds were secured through the PLF which were used to develop Phase 1 of the MRC Mine, which began commercial production on March 1, 2018.

Summary of Quarterly Results

	Q4 2017	**Q3 2017**	**Q2 2017**	**Q1 2017**
Revenue (1)	N/A	N/A	N/A	N/A
Net loss for the period	**$ (1,149,320)**	$ (1,320,198)	$ (992,626)	$ (1,462,403)
Loss per share - basic and diluted	**$(0.01)**	$(0.01)	$(0.01)	$(0.01)
	Q4 2016	**Q3 2016**	**Q2 2016**	**Q1 2016**
Total Revenue (1)	N/A	N/A	N/A	N/A
Net loss for the period	$ (1,678,439)	$ (1,554,027)	$ (930,763)	$ (728,224)
Loss per share - basic and diluted	$(0.01)	$(0.01)	$(0.01)	$(0.01)

(1) As at December 31, 2017, the MRC mine, which is the Company's first producing mine was in commissioning, therefore the Company had no revenue to report during the financial reporting periods noted above. Revenues earned in the commissioning period in 2017 were capitalized to property, plant and equipment.

The quarterly results fluctuate depending on timing of stock option grants, employee and management bonuses and stand by fees related to the PLF and the Equipment Facility (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 results in a higher charge for stock-based compensation expense. Management bonuses are generally recorded in the fourth quarter ended December 31. The PLF and the Equipment Facility both have standby charges and were put in place in May 2016 and as the facilities have been drawn down the standby fees have decreased. 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.

Results for the year ended December 31, 2017 and 2016

In the year ended December 31, 2017 the Company had a loss of $4,924,457 compared to $4,891,453 2016 comparative period as a $2,415,270 increase in general and administration costs was offset by lower financing costs and deferred income tax recovery.

The loss for the years ended December 31, 2017 and 2016 is comprised of the following items:

	2017	2016
General and administration costs	**$ (6,749,751)**	$ (4,334,481)
Financing costs	**(606,088)**	(1,124,582)
Interest and other income	**218,537**	145,931
Net loss before income taxes	**(7,137,302)**	(5,313,132)
Deferred income tax recovery	**2,212,845**	421,679
Net loss and comprehensive loss for the period	**$ (4,924,457)**	$ (4,891,453)

General and administration

General and administration for the years ended December 31, 2017 and 2016 is comprised of:

	2017	2016
Amortization	**$ 106,532**	$ 85,858
Corporate development and investor relations	**454,409**	352,212
Director fees	**269,501**	131,792
Management fees, salaries and benefits	**2,350,029**	1,797,875
Office and general	**258,724**	261,758
Professional fees	**974,373**	374,674
Rent	**191,928**	192,546
Share-based payments	**1,895,949**	948,733
Transfer agent and filing fees	**142,324**	99,886
Travel, meals and entertainment	**105,982**	89,147
	$(6,749,751)	$(4,334,481)

In the year ended December 31, 2017 the Company experienced an increase in general and administration costs of $2,415,270 over the year ended December 31, 2016 due to increased activity, higher management fees, salaries and benefits and higher stock-based compensation charges.

The Director fees increased by $137,709 to $269,501 to bring director compensation in-line with the Company's peer group in development stage and progressing towards operations.

Management fees, salaries and benefits were $2,350,029 in the year ended December 31, 2017, an increase of $552,154 over the year ended December 31, 2016. The increase is as a result of the growth of the Company largely stemming from increased activity, specifically, the construction and development activities at MRC mine and other Nova Scotia deposits.

Professional fees in the year ended December 31, 2017 increased by $599,699 to from the prior year largely as a result of legal fees incurred around the administration of the Company's credit facilities. Corporate development and investor relations increased by $102,197 in the year ended December 31, 2017 from the prior year due to increased marketing and investor relations activity around the construction of the Company's MRC Project and updated resource estimates at Cochrane Hill and Fifteen Mile Stream.

Share-based payments, increased by $947,216 to $1,895,949 and represents the Black-Scholes calculated fair value of stock options issued to directors, officers, consultants and employees which vested during the period. The increase in share-based payments is due primarily to the increase in the number of options granted and vesting and to the increased share price, which, with all other variables being equal increases the value assigned to each option. The average exercise price of options granted was $1.01 per share in the year ended December 31, 2017 compared to $0.53 per share in the comparative 2016 year.

Financing Costs

Financing costs are comprised of standby fees on the Company's PLF and Equipment Facility and accretion of the reclamation obligation. During the year ended December 31, 2017, the Company incurred $557,923 of standby fees on the undrawn balance of the PLF and Equipment Facility compared to $1,124,582 in the year ended December 31, 2016. The decrease standby charges in is due to the fact that the undrawn facility has been reduced by drawings in the year. In the year ended December 31, 2017, financing costs included $48,165 of accretion related to the reclamation obligation. Interest expense and accretion on the long-term debt is related to the PLF and the convertible debt and financing charges on the Equipment Facility of $8,929,522 for the year ended December 31, 2017 were capitalized to construction costs. Terms of these loans are discussed further in the *Liquidity and Capital Resources* section.

Other items impacting the loss

In the year ended December 31, 2017, the Company recognized interest income of $218,537 compared to $145,931 in 2016. The increase in interest income is a result of higher interest earning cash balances as compared to the same period in the prior year, particularly in the second half of 2016 when the PLF and Debentures were put in place providing access to cash.

In the year ended December 31, 2017, the Company recorded a deferred tax recovery of $2,212,845 compared to $421,679 for comparative 2016 periods. The deferred tax recovery included amounts relates to the spending amounts raised by the issuance of flow through shares. Based on Canadian tax law, the Company is required to spend the amount raised by the issuance of flow-through shares on qualifying exploration expenditures by December 31, of the year after the year the shares are issued. The Company uses the residual method to record the premium of the flow-through share which is recorded as other liability on the consolidated balance sheet. The liability balance is decreased as a result of the Company incurring a portion of the qualifying expenditures, therefore fulfilling part of its obligation with the offset being recognized as a deferred income tax recovery on the statement of loss and comprehensive loss. This amount was $2,212,845 in 2017 and $324,033 in 2016 and was related to flow through shares issued in 2016 and 2017. The 2016 deferred income tax recovery also includes $97,647 related to the

issue of the Debentures. The fair value of the equity component of the Debentures (conversion feature) was determined at the time of issue as the difference between the face value of the Debentures and the fair value of the liability component, less a deferred income tax adjustment to reflect the book to tax difference in value of the Debentures at the time of issuance. As the Company has excess tax assets to offset the deferred tax liability, which was created from the book to tax difference in value of the Debentures, the deferred tax liability was reversed, resulting in a deferred tax recovery of $97,646.

Fourth Quarter Results

Net loss was $1,149,320 for the fourth quarter of 2017 compared to a loss of $1,678,439 in the 2016 comparative period. The decrease was due to an increase of $723,722 in the deferred tax recovery, a reduction of $354,881 in the standby fees, offset by a $483,634 increase in general and administrative costs. The increase in general and administrative costs was primarily due to a $193,981 increase in management fees, salaries and benefits, a $156,176 increase in professional fees and a $134,029 increase in share-based payments. The reason for the movements set out about are the same as set out in the *Results for the year ended December 31, 2017 and 2016* section above.

Financial Position

The following financial data is derived from the Financial Statements and should be read in conjunction with the Annual Financial Statements.

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 22,093,914	$ 14,396,987
Property, plant and equipment	$ 178,712,023	$ 95,805,269
Total assets	$ 258,565,362	$ 145,689,217
Long-term debt	$ 137,827,950	$ 55,084,080
Total liabilities	$ 167,616,583	$ 72,303,437
Working capital	$ (24,003,425)	$ (48,373,020)

The Company's financial position has changed significantly due to the construction and financing of the MRC mine. See "Cash Flow" discussion below for impacts from operating, investing and financing activities.

The Company's PLF contains certain project covenants including a minimum working capital ratio, calculated quarterly. At December 31, 2016, the Company was not in compliance with the minimum required working capital ratio. In the second quarter of 2017 the PLF lenders waived the minimum working capital requirement for the remainder of the year 2017, being the expected remaining period of construction of Touquoy. Because this waiver and clarification of the applicability of this ratio was not obtained until after December 31, 2016, the PLF and the Debentures and the Equipment Facility which have cross defaults with the PLF, were classified as current at December 31, 2016, which adversely impacted the working capital.

Further, the above noted waiver included an amendment to the definition of the current ratio such that the current ratio calculation will exclude i) liabilities in respect of unrealized losses under the hedging arrangements with the lender, ii) principal payments under the PLF, iii) any non-cash flow through financing liabilities and iv) when calculating the current ratio for the unconsolidated financial statements of the Company's subsidiary, Atlantic Mining NS Corp. ("AMNS"), excluding amounts payable by AMNS in respect of subordinated inter-corporate debt.

Cash flows

The cash and cash equivalents increased from $14,396,987 at December 31, 2016 to $22,093,914 at December 31, 2017 as financing activities exceeded cash used on operating and investing activities.

In the year ended December 31, 2017, the Company used cash of $12,470,606 in operating activities primarily due to $6,432,904 of cash was used in inventory build up and cash based general and administrative costs as discussed above. Stock-based compensation and amortization totaled $2,002,481 and are non-cash, leaving $4,747,270 of cash general and administrative expenditures. The Company also incurred $557,923 of standby fees in the year ended December 31, 2017. In the year ended December 31, 2016, the Company used cash $3,980,797 in operating activities primarily due to financing costs of $1,124,582 and cash based general and administrative costs as discussed above offset by changes in non-cash working capital of $443,672. Stock-based compensation and amortization totaled $1,034,591 and are non-cash, leaving $3,299,890 of cash general and administrative expenditures.

Cash flows used in investing activities were $77,763,316 in the year ended December 31, 2017 compared to $61,781,231 in the year ended December 31, 2016. Investing activities is comprised of the following:

	Years ended December 31			
		2017		2016
Cash (used) provided by investing activities				
Purchase of property, plant and equipment	**$**	**(66,049,372)**	$	(46,170,842)
Exploration and evaluation expenditures		**(10,853,003)**		(12,973,671)
Restricted cash - Surety bond letter of credit		**(1,127,000)**		(2,744,000)
Interest received		**266,059**		107,282
Net cash used in investing activities	**$**	**(77,763,316)**	$	(61,781,231)

Property, plant, and equipment relates to the construction and development related to the MRC Project, with a majority of the additions relating to engineering, procurement and construction costs, and owners' costs including earthworks, tailings management facility construction, and development of site infrastructure. Property, plant and equipment includes revenue proceeds of $12,429,542 earned in the commissioning period. Exploration and evaluation expenditures are related primarily to Fifteen Mile and Cochrane Hill. Expenditures on Property, plant and equipment and on exploration and evaluation expenditures are discussed in the Properties section of this report. The restricted cash is related to the reclamation bond required to support the MRC Project.

Cash flows from financing activities were $97,930,849 in the year ended December 31, 2017 compared to $69,394,843 in the year ended December 31, 2016. Financing activities is comprised of the following:

	Years ended December 31	
	2017	2016
Cash (used) provided by financing activities		
Proceeds from stock option exercise	**$ 1,558,988**	$ 923,400
Proceeds from exercise of share purchase warrants	**1,431,760**	11,386
Proceeds from long-term debt		
Project Loan Facility	**81,000,000**	34,000,000
Convertible debenture	**-**	13,000,000
Transaction costs		
Project Loan Facility	**-**	(4,258,383)
Convertible debenture	**-**	(586,973)
Interest payments		
Project Loan Facility	**(2,767,189)**	(297,823)
Convertible debenture	**(1,105,000)**	(567,637)
Finance lease payments	**(2,877,132)**	(1,688,616)
Proceeds from sale and leaseback	**756,468**	-
Restricted cash	**(129,086)**	(6,593,346)
Proceeds from private placement net of issuance costs	**20,062,040**	35,452,836
Net cash provided by financing activities	**$ 97,930,849**	$ 69,394,843

During the year ended December 31, 2017, the Company received proceeds of $81,000,000 from the $115,000,000 PLF, which is now fully drawn. The Company issued 12,905,200 shares for net proceeds of $20,062,040.

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 the MRC mine. 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 December 31, 2017, the Company had a balance of $22,093,914 in cash deposits and short-term GICs with major Canadian financial institutions. The Company also holds a restricted cash balance of $10,593,432 which includes the $6,000,000 minimum proceeds account held as working capital contingency, as required under the terms of the PLF. The PLF of $115 million is fully drawn.

The Company has a working capital deficit position as at December 31, 2017 of $24,003,425. Included in this deficit position is $27,850,000 related to principal payments under the PLF. These amounts will be repaid from operating cash flow generated from post-commercial production at the MRC mine, which was achieved on March 1, 2018. 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, as well as estimated future operating cash flows. The MRC mine is expected to produce 82,000 to 90,000

ounces of gold in 2018 at a cash costs of between $500 to $560 per ounce. In order to mitigate gold price risk and as a condition of the PLF, the Company was required to enter into margin free gold forward sales contracts for 215,000 ounces which is at a flat forward price of $1,550 per ounce and scheduled out its hedged contracts over the life of the PLF (the "Hedge Facility") to be delivered during production in 2018 and beyond. In February 2018, the Hedge Facility delivery schedule was amended to align with the Company's revised Life of Mine plan.

The following table details the Company's expected remaining contractual cash flow requirements for its commitments and financial liabilities based on repayment or maturity periods as of December 31, 2017. The amounts presented are based on the contractual undiscounted cash flows, these balances may not agree with the carrying amounts on the consolidated statements of financial position:

	>1 year	1-5 years	Over 5 years	Total
Accounts payables	$22,807,073	$ -	$ -	$22,807,073
Due to related parties	750,805	-	-	750,805
PLF	36,817,000	93,353,000	-	130,170,000
Convertible debt interest	1,105,000	17,420,000	-	18,525,000
Reclamation bond	2,600,000	2,100,000	-	4,700,000
Lease obligations	3,007,824	8,768,531	-	11,776,355
Crown lease	68,300	273,200	204,900	546,400
Office lease	245,149	395,995	-	641,144
Total	$67,401,151	$122,310,72	$ 204,900	$189,916,77

1) In February 2018, the PLF was amended to revise the debt amortisation schedule to align with the Company's revised Life of Mine plan. This is not reflected in the balances above which are as of December 31, 2017. The new repayment schedule for repaying the $115 million is as follows:

2018	$ 18,650,000
2019	58,400,000
2020	37,950,000

The Company has received the following sources of funding:

Long-term debt

Project Loan Facility

On May 6, 2016, the Company, through a wholly owned subsidiary, executed a syndicated project facility agreement in respect of a $115 million PLF to fund construction costs of the Company's MRC Project. As at December 31, 2017, the PLF was fully drawn (December 31, 2016: $34 million).

The PLF carries an interest rate of the Canadian Dealer Offered Rate ("CDOR") plus a 5% margin pre-Project Completion, reducing to a margin of 4.5% post-Project Completion, and is repayable in quarterly installments over three years' post commencement of production. Project Completion is when, among other things, physical construction of all project facilities has been completed in accordance with the terms of the PLF, and the Company has achieved continuous production at Touquoy whereby the plant throughput reaches an average of 5,400 tonnes per day for 90 consecutive days. The Company may prepay all or part of the principal balance outstanding at any time without penalty.

Convertible Debentures

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

Equipment Facility

On May 26, 2016, the Company executed a definitive Master Lease Agreement in respect of a $20 million mining fleet equipment lease facility to fund the Company's acquisition of mining equipment for the Company's MRC Project. The term of the Equipment Facility is 5 years from delivery, and is secured by the mining fleet. As at December 31, 2017, the Company has entered into a total of 21 equipment lease contracts forming part of the $20 million Equipment Facility, and as a result the Company recognized a $10,409,317 finance lease obligation, 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.

Lease payments under the Equipment Facility are payable on a quarterly basis and comprise principal payments and interest, interest being CDOR plus 5.35%. The lease payment schedule is thus amended for each 90-day period to reflect increases or decreases to CDOR.

Other sources of funding

Stock option and warrant exercises

During the year ended December 31, 2017, the exercise of stock option awards and warrants provided the Company with additional liquidity. A total of 3,657,450 stock options were exercised for total proceeds of $1,558,988. A total of 2,386,267 warrants were exercised for total proceeds of $1,431,760. At December 31, 2017, there were 20,732,117 warrants outstanding with an exercise price of $0.60 per warrant which expire in August 2018.

Private placements

In September 2017 and October 2017, the Company completed a series of private placement financings for cumulative gross proceeds of $21,279,325. The first tranche was completed on September 20, 2017 for gross proceeds of $3,775,860 through the issuance of 2,304,000 common shares at a price of $1.40 per share and 305,700 flow-through shares at a price of $1.80 per share. The second tranche was completed on October 5, 2017, whereby the Company issued 9,460,500 common shares for gross proceeds of $16,000,465, of which 2,777,000 common shares qualified as flow-through shares at a price of $1.80 per share, 3,825,500 common shares qualified as charitable flow-through shares at a price of $1.83 per share, with the remaining 2,858,000 common shares issued at a price of $1.40 per share. The third and final tranche of the private placement financings closed on October 24, 2017, for gross proceeds of $1,503,000 through the issuance of 835,000 flow-through common shares of the Company at a price of $1.80 per share. The funds raised via these flow-through share private placements will be used for qualifying exploration expenditures by December 31, 2018.

On May 16, 2016, the Company issued 46,531,749 shares at a price of $0.60 per share through a private-placement financing for gross proceeds of $27,919,046. On September 22, 2016 the Company issued

8,759,550 flow-through shares at a price of $1.05 per share through private placement financings for gross proceeds of $9,197,527 through the issuance of flow-through common shares of the Company at a price of $1.05 per share. The funds raised via these private placements are to be used for qualifying exploration expenditures by December 31, 2017. These funds had been fully utilized on qualifying expenditures by December 31, 2017.

Restricted cash

The Company holds a restricted cash balance of $10,593,432. This includes $6,000,000 held in respect of requirements under the Company's PLF, whereby the Company is required to maintain a minimum of $6,000,000 in a designated bank account until the PLF is repaid.

Restricted cash also includes guaranteed investment certificate ("GIC") of $3,871,000, which represents 70% of a $5,530,000 reclamation performance bond that was issued by way of a surety bond in August 2017 (the "Surety Bond"), through the Company's wholly owned subsidiary Atlantic Mining NS Corp. ("Atlantic Mining"), and a surety provider. The surety provider secured the Surety Bond by a line of credit with the Bank of Montreal ("BMO") at 70% of the value of the required level of the reclamation performance bond. As part of the line of credit, BMO required that 100% of the line of credit be collateralized by way of a restricted GIC. The restricted GIC has a maturity date of August 18, 2018, and earns interest at 0.6% per annum. The August 2017 Surety Bond replaced a previously issued surety bond that was initially issued in May 2016 through an alternate surety provider, which required 80% of a then required $3,430,000 reclamation performance bond.

The increase of the $2.1 million in the required reclamation performance bond represents the second installment a $10,400,000 phased reclamation security in respect of Touquoy. The phased approach ensures that adequate security is in place before each phase of disturbance, construction and operation at Touquoy. The total $10,400,000 financial security is to be posted in full by December 31, 2019.

An additional $722,432 of restricted cash is the Debt Service Reserve Account ("DSRA") is required under the Equipment Facility, whereby the Company is required to maintain an amount equal to 100% of one quarterly payment in respect of all leases under the Equipment Facility. The DSRA is to be maintained up to and including three months after Project Completion.

Commitments

During 2017 the Company issued flow-through shares and as a result is committed to spend approximately $14 million in qualifying exploration expenditures by December 31, 2018.

An NSR of 3% is payable in respect of the Touquoy deposit, two-thirds of which can be purchased for $2.5 million. Additionally, 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. 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 $350,000 in respect of claim renewal fees and minimum work requirements in 2017/2018.

The Company has 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.

SUBSEQUENT EVENTS

- On April 11, 2018, the Company provided notice to all holders of the Company's Convertible Debentures that the Company intends on prepaying the entire principal amount of the Debentures on May 11, 2018. On April 19, 2018, debentures coveting $2 million including accrued and unpaid interest were converted through the issuance of 3,372,145 common shares.

- Subsequent to December 31, 2017, 1,397,265 share purchase warrants were exercised for gross proceeds of $838,359.

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 197,188,140 common shares issued and outstanding, 17,255,000 stock options outstanding, 19,321,752 share purchase warrants outstanding and 18,333,334 common shares issuable pursuant to the Debentures.

TRANSACTIONS WITH RELATED PARTY

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:

			Years ended December 31	
Related Party	**Relationship**	**Compensation Type**	**2017**	2016
Steven Dean	Chairman and CEO	Consulting fees, benefits and share-based payments (1)	**$ 1,357,024**	$ 1,003,060
Robert Atkinson	Director	Directors' fees and share-based payments	**120,426**	61,805
Donald Siemens	Director	Directors' fees and share-based payments	**117,926**	61,805
David Black	Director	Directors' fees and share-based payments	**120,426**	61,805
William Armstrong	Director	Consulting fees, directors' fees and share-based payments (2)	**146,494**	118,121
Ryan Beedie	Director	Director's fees	**76,291**	12,917
Wally Bucknell	Director	Consulting fees and share-based payments	**253,529**	220,408
John Morgan	Director	Wages, benefits, and share-based payments	**104,466**	322,940
Maryse Belanger	President and COO	Wages, benefits, and share-based payments	**1,123,777**	553,361
Chris Batalha	CFO and Corporate Secretary	Wages, benefits, and share-based payments	**425,712**	251,827
			$3,846,071	$ 2,668,049

(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:

Related party	December 31, 2017	December 31, 2016
Beedie Investments Limited[1]	$ 7,573,469	7,665,180
Sirocco Advisory Services[2,4]	428,246	426,710
Metallica Consulting Services[3,4]	14,000	8,333
Directors[4]	-	57,083
Officers[4]	293,059	165,168

(1) The Company issued $8 million of Debentures to Beedie Investment Limited, a company controlled by a director of the Company. Of the amount owing, $95,014 is current at December 31, 2017 (December 31, 2016 - $7,665,180). The remaining amounts are recorded as long-term debt. In the period, Beedie Investment Limited received interest of $680,000 (2016 – $349,315).
(2) Sirocco Advisory Services, is a company controlled by a director and officer of the Company.
(3) Metallica Consulting Services is a company controlled by a director of the Company.
(4) 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. During the year ended December 31, 2017, office lease and administrative expenditures billed to Oceanic amounted to $75,291 (2016: $78,652). As at December 31, 2017, the Company was due $49,167 from Oceanic (December 31, 2016: $19,034).

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates and judgments

The preparation of the Annual Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Information about significant areas of estimation uncertainty considered by management in preparing the financial statements are set out in Note 5 to the Annual Financial Statements.

Commercial production

The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as “commercial production”) is a matter of significant judgement which will impact when the Company recognizes revenue and operating costs in the statement of profit and loss and depreciation and depletion commence. In making this determination, management will consider specific facts and circumstances. These factors will include, but are not limited to, whether the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended by management have been completed, completion of a reasonable period of commissioning, consistent operating results being achieved at a pre-determined level of design capacity and recovery for a reasonable period of time and the transfer of operations from construction personnel to operational personnel has been completed. On March 1, 2018, management declared commercial production at the MRC Mine.

Accounting policies adopted in the period

With the start of commercial production on March 1, 2018 the Company initially applied new policies for inventory, stripping costs and revenue recognition in the fourth quarter of 2017.

Inventory

Ore stockpile, in-circuit and finished metal inventory are measured at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all expenditures directly attributable to mineral extraction and processing and an allocation of fixed and variable production overheads, including depreciation, that are incurred in extracting and processing ore. Net realizable value is determined with reference to relevant market prices, less estimated costs of completion (including royalties payable).

Ore stockpile inventory is segregated between current and non-current based on its expected processing date. In circuit inventory represents material that is in the process of being converted into a saleable form. Finished metal inventory represents gold doré.

Material and supplies inventory are valued at the lower of average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs. A regular review is undertaken to determine the extent of any provision for obsolescence.

Major spare parts and standby equipment are included in plant and equipment when they are expected to be used during more than one period and if they can only be used in connection with an item of plant and equipment.

Stripping costs

Stripping costs are included in mineral properties. Stripping costs are the costs incurred to remove mine waste materials to gain access to mineral ore deposits during production. Stripping costs incurred during the development of a mine are capitalized to mineral properties. Stripping costs incurred subsequent to commencement of commercial production are variable production costs that are included in the cost of inventory produced during the period in which they are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping cost would be deferred and included in mineral properties. Future benefits arise when stripping activity increases the future output of the mine by providing access to an extension of an ore body or to a new ore body. Deferred stripping costs are depleted based on the UOP method using the related proven and probable mineral reserves as the depletion base.

Revenue recognition

Revenue is generated from the sale of refined gold. The Company has early adopted IFRS 15, Revenue from Contracts with Customers (‘IFRS 15”). The Company had no revenue prior to the adoption of IFRS15.

The Company produces doré which contain gold. These products are further processed to produce refined metals for sale. The Company’s performance obligations relate solely to the delivery of gold to its customers.

Revenue is recognized when control of the refined gold is transferred to the customer. Control is achieved when a product is delivered to the customer, the customer has full discretion over the product and there is no unfulfilled obligation that could affect the customer’s acceptance of the product. Control over the refined gold is transferred to the customer and revenue recognized upon delivery to the customer’s bullion account.

Revenue is required to be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring the product to the customer. The Company has some forward sale contracts which specifies the price and some spot sales contracts.

Changes in accounting standards not yet effective

Financial Instruments

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement that relate to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change for liabilities is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income (loss) rather than in net earnings. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management expects the adoption to have an impact on the carrying value of its available-for-sale financial asset.

Leases

In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16") which replaces IAS 17 – Leases and its associated interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. IFRS 16 will result in an increase in assets and liabilities as fewer leases will be expensed as payments are made. Management expects an increase in depreciation expenses and also an increase in cash flow from operating activities as these lease payments will be recorded as financing outflows in the cash flow statement.

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, available-for-sale financial asset, accounts payable, long-term debt, and due to related parties.

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

Accounts payable, long-term debt, and amounts due to related parties are classified as other financial liabilities, which are measured at amortized cost.

All financial instruments for which fair value is recognised or disclosed are categorized within a fair value hierarchy based on the lowest level input that is significant to the fair value measurement as whole. The Company's available-for-sale financial asset held is categorized as Level 3 on the fair value hierarchy as the investment is in a privately held company of which observable market data is not available. Financial instruments of the Company as at December 31, 2017 and December 31, 2016 are summarized as follows:

	2017		2016	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Loans and receivables				
Cash and cash equivalents	**$ 22,093,914**	**$ 22,093,914**	$ 14,396,987	$ 14,396,987
Due from related parties	**49,170**	**49,170**	19,034	19,034
Receivables	**223,539**	**223,539**	253,116	253,116
Restricted cash	**10,593,432**	**10,593,432**	9,337,346	9,337,346
Available for-sale asset	**248,077**	**N/A**	248,077	N/A
Financial liabilities				
Accounts payable and accrued liabilities	**$ 22,825,238**	**$ 22,825,238**	$ 13,815,348	$ 13,815,348
PLF	**115,111,746**	**113,789,000**	32,829,623	32,829,623
Equipment facility	**10,409,317**	**9,859,000**	9,798,540	9,798,540
Due to related parties	**750,805**	**750,805**	657,294	657,294

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, restricted cash and due from related parties. The Company has concentration of risk with respect to cash being held with two large Canadian financial institutions. The Company's credit risk is mitigated by maintaining its financial liquid assets with highly reputable counterparties. The maximum exposure to credit risk is equal to the carrying value of the financial assets noted above.

Liquidity risk

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

Interest Rate Risk

The Company's interest rate risk mainly arises from the interest rate impact on its interest income derived from Canadian Dollar cash and deposits, restricted cash, Debentures, the PLF, 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 PLF bear interest at an interest rate of the CDOR plus a 5% margin (Pre-Project Completion), reducing to a margin of 4.5% post-Project Completion. Similarly, the Equipment Facility bears interest at a rate of CDOR plus a 5.35% margin. The Company manages this risk by monitoring fluctuations in CDOR, which are not expected to be significant. A 1% change in interest rates would have a $2,000,000 impact on the annual net loss and comprehensive loss.

Market Risk

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

The Company is subject to commodity price risk from fluctuations in the market prices for gold. As discussed above, in the prior year, the Company finalized and scheduled out its Hedge Facility covering the sale of 215,000 ounces at a flat forward price of $1,550 per ounce.

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

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.

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.

APPROVAL

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