MANAGEMENT DISCUSSION & ANALYSIS
For the year ended December 31, 2018 and 2017

ATLANTIC GOLD CORPORATION

Dated: March 4, 2019

Contents

GENERAL

All amounts are reported in Canadian dollars, unless otherwise stated

This management, discussion and analysis ("MD&A") has been prepared as of March 4, 2019, 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, 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 by the issuance of the Phase 2 Life of Mine Expansion plan announced in early 2018 which incorporates an additional two satellite deposits, Fifteen Mile Stream, and Cochrane Hill into the MRC production schedule.

Furthermore, in 2018 the Company completed its Phase 3 resource expansion drill program which targeted extensions to the Fifteen Mile Stream and Cochrane Hill deposits, with the goal of growing and expanding these resources and infilling existing resources to M&I categories. 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 3083, Three Bentall Centre, 595 Burrard Street, Vancouver, B.C. Canada.

KEY MILESTONES AND OUTLOOK

Key Milestones and Highlights – Fourth Quarter and Full Year 2018

- In the fourth quarter of 2018, the Company produced 22,510 ounces and sold 23,405 ounces of gold (2018 annual production of 90,531 ounces and sold 90,346 ounces of gold).
- Cash balance of CAD $50.3 million and net debt of CAD $63.7 million, an 8% decrease from previous quarter and a 40% decrease from prior year (September 30, 2018, net debt of $68.9 million, December 31, 2017 was $105 million)[1]
- Strong mine operating earnings of CAD $16.1 million during Q4 2018 (CAD $55.8 million for the year ended December 31, 2018).
- Cash costs per ounce during Q4 2018 was CAD $574 (CAD $558 for the year ended December 31, 2018). Annual cash costs were within guidance for the full year of 2018. (see Non-IFRS Performance Measures section).
- All-in-Sustaining Cost ("AISC") per ounce sold for Q4 2018 was CAD $749 (CAD $731 for the year ended December 31, 2018) (see Non-IFRS Performance Measures section). Annual AISC was within guidance for the full year of 2018.
- Working capital position at December 31, 2018 was $44 million (December 31, 2017 – deficit position of $24.0 million).
- Operating cash flows of CAD $19.5 million during Q4 2018 (CAD $69.6 million for the year ended December 31, 2018), resulting in an operating cash flow per share for the year ended December 31, 2018 of $0.32.
- Refinanced the Company's Project Loan Facility with a CAD $150,000,000 senior secured revolving credit facility (the "Revolving Credit Facility" or "RCF") with National Bank of Canada, CIBC and CAT Financial. Partial drawdown of the RCF was used to repay the Company's Project Loan Facility with Macquarie Bank Ltd and Caterpillar Financial Services Corporation ("PLF"). Upon repayment of the PLF, $13 million of restricted cash was reclassified to cash and cash equivalents. On January 29, 2018, the Company announced the results of the Phase 2 Life of Mine Expansion Pre-Feasibility Study in accordance with National Instrument ("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.
- Evaluation of the Company's exploration properties continued through Q4 2018, with completion of extension drilling at both Fifteen Mile Stream and Cochrane Hill deposits. A total of 64,302 metres of diamond drilling was completed in 394 drill holes during 2018.
- Discovery of the 149 Deposit from the Corridor Regional Program. Encouraging initial results were followed-up and shallow mineralization was intersected over a strike length of 350m. The mineralized zones have now been extended to over 475m in strike length and are still open to the east. A follow-up diamond drilling program of approximately 6,000m to test the easterly extensions commenced in Q1 2019.
- Acquisition of Southern Nova Scotia tenements providing an expanded exploration platform in the province.

Outlook

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

- Producing 92,000 - 98,000 ounces at Touquoy in 2019 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 @ an exchange rate of CAD$0.75) (see Non-IFRS Performance Measures section).

[1] *Net debt is calculated as total debt less cash and cash equivalents and restricted cash*

- Releasing updated resource/ reserve estimates for the Touquoy, Fifteen Mile Stream, and Cochrane Hill deposits, along with an updated Life of Mine plan.
- Prioritizing targets for further exploration, including drill-testing, on the Phase 4 Corridor Regional Program
- Completion of the Fifteen Mile Stream and Cochrane Hill Projects Environmental Impact Statements, targeted submission in Q2 and Q3 2019, respectively.
- Progressing and seeking final approval of the Environmental Impact Statement for Beaver Dam, anticipated to be achieved by the end of 2019, or early 2020.
- Completion of a $9,000,000 strategic investment in Velocity Minerals Ltd.

OVERVIEW OF OPERATING RESULTS

		For the three months ended December 31, 2018	**For the year ended December 31, 2018(1)**
Operating data(3)			
Ore mined	Tonnes	1,069,008	3,972,813
Waste mined	Tonnes	608,977	2,827,856
Total mined	Tonnes	1,677,985	6,800,668
Waste to ore ratio		0.57	0.71
Mining rate (total material mined)	Tonnes/day	18,239	18,632
Ore milled	Tonnes	540,903	2,108,420
Head grade	g/t Au	1.37	1.41
Recovery	%	94.7	94.9
Mill throughput	Tonnes/day	5,879	5,776
Gold ounce produced	ozs.	22,509	90,531
Gold ounces sold	ozs.	23,405	90,346
Average price realized(2)	$/oz.	1,612	1,588
Cash costs(2)	$/oz.	574	558
Average realized margin(2)	$/oz.	1,038	1,030
All in sustaining costs(2)	$/oz.	749	731
AISC margin(2)	$/oz.	863	857
Financial data			
Net Revenue	$	37,643,686	128,327,363
Mine operating earnings	$	16,181,347	55,885,927
Net earnings	$	8,240,710	27,863,981
EBITDA(2)	$	22,396,917	77,536,576
Total cash	$	50,280,380	50,280,380
Long-term debt at period end	$	110,637,187	110,637,187

(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 (Loss) and Other Comprehensive Income (Loss) for the year ended December 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 year ended December 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 9 of the annual consolidated financial statements for the year ended December 31, 2018).

Operations Discussion

Note that in the disclosure of operations results and supporting discussion in this MD&A the Company does not present comparative statistics for the prior year as MRC began producing gold in Q4 2017 and commenced commercial production effective March 1, 2018.

Gold production and sales

During the fourth quarter of 2018, Phase 1 operations at MRC produced 22,509 ounces of gold. The Company sold 23,405 ounces of gold during the fourth quarter of 2018.

During the year, the Company produced 90,531 ounces of gold, which include 9,373 ounces of gold produced during operations ramp up in January and February 2018, the period prior to commencement of commercial production. Annual production exceeded guidance of 82,000 – 90,000 ounces. Gold sales during the year were 90,346 ounces, which include 9,432 ounces of gold sold during ramp up of operations in January and February 2018, the period prior to commencement of commercial production.

Mining

During the fourth quarter of 2018, a total of 1,069,008 tonnes of ore were mined, at a waste to ore ratio of 0.57:1 with a total of 1,677,985 tonnes of material mined.

During the 2018 year, a total of 3,972,813 tonnes of ore were mined, at a waste to ore ratio of 0.71:1 with a total of 6,800,668 tonnes of material mined. Approximately 46% of the ore mined in the 2018 year was stockpiled as medium and low grade material averaging 0.52 g/t for processing later in the mine life. This material was assumed to be waste in the 2015 Feasibility Study.

Processing

During the fourth quarter of 2018, a total of 540,903 tonnes of ore was processed at an average grade of 1.37 g/t Au at an average process recovery of 94.7% which exceeds the plant design recovery of 94.0%. Mill throughput averaged approximately 5,879 tonnes per day, which exceeds design throughput. A total of 2,108,420 tonnes of ore was processed during the 2018 year, at an average grade of 1.41 g/t Au with a recovery of 95%. Ore processed exceeded plant design by 108,420 tonnes although the mill was only operating at commercial productions levels for 10 months of the year (commercial production was achieved on March 1, 2018). Recovery of 95.0% exceeded design specifications by 1%. The average feed grade of 1.41 g/t Au approximated the anticipated feed grades per the Feasibility Study.

Throughout 2018, the Company has continued its efforts to optimize certain areas of the plant including the crushing circuit, reagents consumption and overall energy management.

Sustaining capital

The Company incurred a total of $1,947,004 and $9,098,691 in sustaining capital expenditures during the three and 12 months ended December 31, 2018, respectively. The majority of the expenditures relate to the scheduled Tailings Management Facility Stage 2 raise which was completed by Q4 2018.

Growth capital

The Company incurred a total of $2,279,348 and $9,325,368 in growth capital expenditures during the three and 12 months ended December 31, 2018, respectively. The majority of the expenditures relate to development of the waste dump area (considered as deferred initial capital), removal of historic tailings, deferred costs associated with initial fit-out of site infrastructure, blasting activity in the Tailings Management Facility for additional waste rock, and costs incurred due to design and commissioning issues identified as part of the ramp-up process in Q1 2018. Work associated with the removal of the historic tailings is classified as growth capital as it was part of the original plan in respect of pre-production stripping to access ore at that section of the pit.

Further, in Q4 2018 the Company capitalized $825,910 of expenditures related to the Touquoy resource expansion drilling.

FINANCIAL OPERATING RESULTS

Selected Annual Information

	December 31, 2018	December 31, 2017	December 31, 2016
Revenue	128,327,363	nil	nil
Income/(Loss)	$ 27,863,981	$ (4,924,457)	$ (4,891,453)
Income/(Loss) per share, basic	$ 0.13	$ (0.03)	$ (0.03)
Income/(Loss) per share, diluted	$ 0.12	$ (0.03)	$ (0.03)
Total assets	$ 302,701,983	$ 258,565,362	$ 145,689,217
Non-current liabilities	$ 127,500,833	$ 109,683,998	$ 1,581,624
Dividends	nil	nil	nil

Over the period from January 1, 2016 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.

Results for the years ended 2018 and 2017

In the year ended December 31, 2018 the Company had net income of $27,863,981, an increase of $32,788,439, when compared to the net loss of $4,924,457 in 2017 as the Company commenced commercial production on March 1, 2018, recognizing mine operating earnings of $55,885,927 for the year ended December 31, 2018. The mine operating earnings were offset by an increase of $2,275,036 in general and administration expenses, and an increase of $9,695,219 in finance costs. With the commencement of commercial production mine operating earnings and finance costs were recognized in the consolidated statement of income (loss) and comprehensive income (loss) as borrowing costs are no longer capitalized to property, plant and equipment. The Company also recognized a $11,479,018 increase in long term deferred income tax expense (discussed in more detail below).

The income (loss) for the years ended December 31, 2018 and 2017 is comprised of the following items:

	Year ended December 31, 2018	Year ended December 31, 2017
Mine operating earnings	**55,885,927**	-
General & Administration	**(9,024,787)**	(6,749,752)
Financing costs	**(10,301,307)**	(606,088)
Interest and other income	**570,321**	218,537
Net earnings (loss) before income taxes	**37,130,154**	(7,137,302)
Deferred income tax (loss) recovery	**(9,266,173)**	2,212,845
Net earnings (loss) and comprehensive earnings (loss)	**$ 27,863,981**	$ (4,924,457)

Mine operating earnings

The mine operating earnings for the years ended December 31, 2018 and 2017 is comprised of the following.

	2018	2017
Revenue	**128,327,363**	-
Cost of goods sold (excluding depreciation and depletion)	**(45,902,574)**	-
Depreciation and depletion	**(26,538,862)**	-
Mine operating earnings	**55,885,927**	-

Since commercial production started on March 1, 2018 the company sold 80,914 ounces of gold at an average price of $1,589 resulting in net revenue of $128,327,363. The Company delivered 50,193 ounces into fixed price contracts and the remaining 30,721 ounces were sold at spot price. Revenue is net of treatment and refining costs which were $202,558 for the year ended December 31, 2018.

Depreciation and depletion was $26,538,862 since the start of commercial production. Most assets are depreciated or depleted on a units-of-production basis over the reserves to which they relate.

General and administration

General and administration expense for the years ended December 31, 2018 and 2017 is comprised of:

	Year ended December 31, 2018	Year ended December 31, 2017
Amortization	$ 53,143	$ 106,532
Corporate Development and investor	386,848	454,409
Director fees	289,541	269,501
Management Fees, salaries and benefits	3,199,032	2,350,029
Office and general	384,976	258,722
Professional fees	832,616	974,373
Rent	197,626	191,928
Share-based payments	3,266,893	1,895,949
Transfer agent and filing fees	250,646	142,324
Travel, meals and entertainment	163,466	105,982
	$ 9,024,787	$ 6,749,751

In the year ended December 31, 2018, the Company experienced an increase in general and administration costs over the year ended December 31, 2017 due to increased activity and aligning staffing to that of an operating entity.

Management fees, salaries and benefits were $3,199,032 in the year ended December 31, 2018, an increase of $849,003 over the year ended December 31, 2017. The increase is a result of the growth of the Company largely stemming from increased activity, specifically, the commencement of operations at MRC and the further advancement of the Company's other Nova Scotia deposits.

Share-based payments, increased by $1,370,944 to $3,266,893 and represents the Black-Scholes calculated 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, in addition to an increase in the number of employees eligible to participate in the Company's stock option plan. The average exercise price of options granted was $1.64 per share in the year ended December 31, 2018 compared to $1.01 per share in the 2017 year.

Professional fees in year ended December 31, 2018 decreased by $141,757 from the prior year largely as a result of higher legal fees incurred in the prior year around the administration of the Company's PLF.

Financing Costs

Financing 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.

Financing costs for the years ended December 31, 2018 and 2017 were comprised of:

	Expensed to the statement of income (loss)	Capitalized to mineral properties	Total financing costs - 2018	Expensed to the statement of income (loss)	Capitalized to mineral properties	Total financing costs - 2017
Interest on the PLF	$ 4,258,455	$ 1,272,939	$ 5,531,394	$ -	$ 5,586,530	$ 5,586,530
Interest on the RCF	1,726,950	-	1,726,950	-	-	-
Amortization of transaction costs on long term debt	3,074,744	306,173	3,380,917	-	1,912,669	1,912,669
Interest and accretion of convertible debt	422,226	221,659	643,885	-	780,161	780,161
Financing fees on capital leases	533,802	103,143	636,945	-	650,162	650,162
Other finance charges	195,232	-	195,232	557,923	-	557,923
Accretion on reclamation provision	89,898	-	89,898	48,165	-	48,165
	$ 10,301,307	$ 1,903,914	$ 12,205,221	$ 606,088	$ 8,929,522	$ 9,535,610

In the prior year ended December 31, 2017 there was $9,535,610 of finance costs, of which $8,929,522 were capitalized to mineral properties and development costs and $606,088 expensed to the statement of income (loss), compared to a total of $12,205,221 finance costs in the current year, with $1,903,914 capitalized to mineral properties and $10,301,307 expensed to the statement of income (loss), as a result of the Company commencing commercial production on March 1, 2018. Financing costs in the year ended December 31, 2018 were higher largely as a result of expensing the remaining deferred transaction costs of $1.8 million relating to the Company's PLF, as the Company repaid all debt owing under the PLF. Terms of these loans are discussed further in the *Liquidity and Capital Resources* section. In May, 2018 the convertible debentures and all unpaid interest owing was converted into 21,927,360 common shares of the Company.

In the year ended December 31, 2018, the Company incurred $95,232 in standby charges in respect of the Company's new Revolving Credit Facility, in addition to $100,000 in agency fees relating to the PLF. In the prior year, the Company incurred $557,923 of standby fees related to the PLF and Equipment Facility included in Other finance charges. Accretion expense on the reclamation obligation was $89,898 in 2018 compared to $48,165 in the prior year.

Deferred Income Tax Recovery/(Expense)

During the year ended December 31, 2018, the Company recognized a deferred income tax expense of $9,396,515, a non-cash accounting loss, versus a deferred income tax recovery of $2,212,846 in 2017. This expense does not represent cash taxes payable in 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 formerly unrecognized 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.

Results for the fourth quarter of 2018 and 2017

In the three months ended December 31, 2018 the Company had net income of $8,240,710, an increase of $9,390,032, when compared to the 2017 comparative period as the Company commenced commercial production in 2018, recognizing mine operating earnings of $16,181,347 for the three months ended

December 31, 2018. The mine operating earnings were offset by an increase of $2,115,845 in finance costs, which starting with the commencement of commercial production were recognized to the profit or loss statement as borrowing costs and no longer capitalized to property, plant and equipment.

The income (loss) for the three months ended December 31, 2018 and 2017 is comprised of the following items:

	Three months ended *December 31, 2018*	*Three months ended* December 31, 2017
Mine operating earnings	**16,181,347**	-
General & Administration	**(2,284,207)**	(2,199,341)
Financing costs	**(2,142,403)**	(26,558)
Interest and other income	**202,939**	28,821
Net earnings (loss) before income taxes	**11,957,676**	(2,197,077)
Deferred income tax (loss) recovery	**(3,716,966)**	1,047,755
Net earnings (loss) and comprehensive earnings (loss)	**$ 8,240,710**	$ (1,149,322)

Mine operating earnings

The mine operating earnings for the three months ended December 31, 2018 and 2017 is comprised of the following.

	Three months ended *December 31, 2018*	*Three months ended* December 31, 2017
Revenue	**37,643,686**	-
Cost of goods sold (excluding depreciation and depletion)	**(13,597,026)**	-
Depreciation and depletion	**(7,865,312)**	-
Mine operating earnings	**16,181,347**	-

During the three months ended December 31, 2018, the Company sold 23,405 ounces of gold at an average price of $1,612 resulting in net revenue of $37,643,686. The Company delivered 8,193 ounces into fixed price contracts and the remaining 15,212 ounces were sold at spot price. Revenue is net of treatment and refining costs which were $75,341 for the three months ended December 31, 2018.

Depreciation and depletion was $7,865,312. Most assets are depreciated or depleted on a units-of-production basis over the reserves to which they relate.

General and administration

General and administration expense for the three months ended December 31, 2018 and 2017 is comprised of:

	Three months ended December 31, 2018	*Three months ended December 31, 2017*
Amortization	**$ (27,409)**	$ 33,012
Corporate Development and investor relations	**135,290**	83,053
Director fees	**63,541**	78,125
Management Fees, salaries and benefits	**931,719**	1,172,490
Office and general	**217,809**	72,512
Professional fees	**311,513**	349,252
Rent	**50,842**	42,657
Share-based payments	**434,298**	251,717
Transfer agent and filing fees	**118,339**	79,741
Travel, meals and entertainment	**48,265**	36,782
	$ 2,284,207	$ 2,199,341

In the three months ended December 31, 2018, the Company experienced an increase in general and administration costs over the three months ended December 31, 2017 due to increased activity and aligning staffing to an appropriate level for that of an operating entity.

Management fees, salaries and benefits were $931,719 in the three months ended December 31, 2018, a decrease of $240,771 over the three months ended December 31, 2017. The decrease is a result of the Company accruing for annual performance bonuses evenly throughout the 2018 year compared to the prior year where annual performance bonuses were accrued in Q4 2018.

Share-based payments, increased by $182,581 to $434,298 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 vesting and to the increased share price, which, with all other variables being equal increases the value assigned to each option, in addition to an increase in the number of employees eligible to participate in the Company's stock option plan.

Financing Costs

Financing 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.

Financing costs for the three months ended December 31, 2018 and 2017 were comprised of:

	Total financing costs - 2018	Financing costs – expensed 2017	Financing costs – capitalized 2017	Total financing costs - 2017
Interest on the PLF	$ -	$ -	$ 1,862,966	$ 1,862,966
Interest on RCF	1,536,688	-	-	-
Amortization of transaction costs on long term debt	330,753	-	834,279	834,279
Interest and accretion of convertible debt	-	-	158,532	158,532
Financing fees on capital leases	154,452	-	168,005	168,005
Accretion on reclamation provision	36,026	16,057	-	16,057
Other financing charges	84,483	10,500	-	10,500
	$ 2,142,402	$26,557	$3,023,782	$ 3,050,339

In the three months ended December 31, 2017, total financing costs were $3,050,339, of which $3,023,782 were capitalized to mineral properties and development costs with $26,557 expensed to the statement of income (loss), compared to a total of $2,142,402 finance costs in the current period, which all were expensed to the statement of income (loss), as a result of the Company commencing commercial production on March 1, 2018. Finance costs in the three months ended December 31, 2018 were lower as a result of lower effective interest rate charged on the RCF as compared to the PLF and lower principal balance, in addition to lower transaction costs being amortized during the period on the RCF compared to the PLF. Terms of these loans are discussed further in the *Liquidity and Capital Resources* section.

During the three months ended December 31, 2018, $84,483 in standby charges were incurred in respect of the RCF, compared to standby fees of $10,500 incurred in the three months ended December 31, 2017 related to the PLF and Equipment Facility. Accretion expense on the reclamation obligation was $36,026 in the three months ended December 31, 2018 compared to $16,057 in the three months ended December 31, 2017.

Deferred Income Tax Recovery/(Loss)

During the three months ended December 31, 2018, the Company recognized a deferred income tax loss of $3,847,308, a non-cash accounting loss, versus a deferred income tax recovery of $1,047,755 for the three months ended December 31, 2017. This expense 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 formerly unrecognized 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 year ended December 31, 2018 and 2017 the Company incurred the following exploration and evaluation expenditures on Beaver Dam, Cochrane Hill, Fifteen Mile Stream and Other Nova Scotia Properties:

Year ended December 31, 2018	*Beaver Dam*	*Cochrane Hill*	*Fifteen Mile Stream*	*Other*	*Total*
Acquisition costs	-	-	250,000	-	250,000
Compensation	110,544	644,421	1,803,050	1,265,192	3,823,207
Environmental	1,999,045	700,845	650,591	101,862	3,452,343
Permitting and claims	53,071	18,612	190,856	378,561	641,100
Assays and metallurgy	78,872	207,319	1,186,117	899,455	2,371,763
Travel and accommodation	3,471	32,308	127,317	91,918	255,014
Drilling and fieldwork	-	2,630,773	5,818,807	2,189,298	10,638,878
Equipment and supplies	26,542	260,395	496,253	536,763	1,319,953
	$ 2,271,545	**$ 4,494,673**	**$ 10,522,991**	**$ 5,463,049**	**$ 22,752,258**

Year ended December 31, 2017	*Beaver Dam*	*Cochrane Hill*	*Fifteen Mile Stream*	*Other*	*Total*
Compensation	1,373	797,893	851,950	299,142	1,950,358
Environmental	336,746	212,305	282,272	-	831,323
Permitting and claims	24,600	21,773	124,857	150,868	322,098
Assays and metallurgy	-	829,851	1,901,578	76,378	2,807,807
Travel and accommodation	-	43,573	59,402	18,929	121,904
Drilling and fieldwork	-	3,082,954	4,527,492	644,095	8,254,541
Equipment and supplies	1,793	358,653	512,727	17,722	890,895
	$ 364,512	**$ 5,347,002**	**$ 8,260,278**	**$ 1,207,134**	**$ 15,178,926**

Phase 3 Expansion Drill Program

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

- Tighten drill spacing within the designed pit limits;
- identify additional gold resources immediately peripheral to those resources previously defined at Fifteen Mile Stream and Cochrane Hill; and
- at Cochrane Hill and at Fifteen Mile Stream – particularly at the Hudson and Plenty zones, to upgrade previously defined Inferred Mineral Resources to Measured and Indicated categories

The Phase 3 Resource Expansion Drill Program at Fifteen Mile Stream comprised 185 holes to December 31, 2017 and was completed at the end of January with a total of 24,325m drilled in 221 holes. Holes were generally drilled on 25m x 20m centres, except for the first-pass drilling along the 350m gap between Plenty and Egerton-MacLean where holes were drilled on 50m-spaced sections. The Phase 3 Resource Expansion Drill Program at Cochrane Hill was completed at the end of December 2017 with a total of 44 holes for 6,900 metres having been drilled. Results from the Phase 3 Resource Expansion Drill Program were announced in news releases dated December 20, 2017, January 17, 2018, January 24, 2018, February 22, 2018, March 15, 2018 and April 4, 2018.

The 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 and February 6, 2019.

Although compilation and interpretation of the results of the Resource Extension Drill Programs continues, results reported to date indicate that gold mineralization has been intersected by drilling in the targeted zones beneath and as extensions to existing resources.

The Company expects to issue updated Mineral Resource estimates for all deposits in early March 2019. Those new Resource estimates will form the basis of new Mineral Reserve estimates and a lif of mine plan for all deposits which are expected to be released later in Q1 2019.

Phase 4 Program

The Company's mineral properties within the Moose River Corridor, totalling approximately 171km^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 January 29, 2018.

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 the Company's Moose River Consolidated Gold Mine ("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 drillholes 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.

Elsewhere in the Corridor, drilling has outlined several areas of anomalous gold mineralization in favourable geological positions; interpretation of these results indicates follow-up drilling of these anomalous areas will be justified and planning and permitting for these programs has commenced. 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.

<u>149 Prospect</u>

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; final assay results from this program will be announced when received.

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.

Assay results received to date confirm that the lower grade, disseminated Limb Zone mineralization extends to surface but also is open at depth. 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 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.

Regional Land Acquisition – Southwestern Nova Scotia

During Q3 and Q4, 2018, the Company expanded its exploration property holdings substantially with the acquisition, by staking, of an additional 11,628 claims covering an area of 1,863 km^2 (460,357acres), bringing the Company's total exploration properties to 13,683 claims totalling 2,189km^2 (540,993 acres).

The Company's geologists believe that the areas acquired in the southwestern region of Nova Scotia have unexplored potential to host gold deposits similar in style to those contained in the Moose River Corridor. No field work was completed before year-end. Preliminary data compilation and interpretation continues; an aggressive exploration program is planned for Q2-Q3, 2019.

LIFE OF MINE PLAN FOR MRC - PRE-FEASIBILITY STUDY ("PFS")

Reserves and resources

The Mineral Resources estimates summarized in the PFS 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 PFS is based on a technical report entitled Moose River Consolidated Project, Nova Scotia Canada, NI 43-101 Technical Report on Moose River Consolidated Phase 1 and Phase 2 Expansion with an effective date of January 24, 2018 and a filing date of March 15, 2018. Qualified Persons responsible for this report are Paul Staples, Neil Schofield, Marc Schulte, Jeff Parks, James Millard, Daniel Fontaine and Tracey Meintjes. The full report is available on the Company's SEDAR profile and the Company's website.

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).

Mineral Reserves Table - MRC Phase 1 and Phase 2 Expansion

	Tonnes (m)	Grade (g/t)	Gold oz. (000)
Touquoy			
Proven reserves	2.63	1.41	119
Probable reserves	6.58	1.45	306
Proven and probable reserves	**9.21**	**1.44**	**425**
Beaver Dam			
Proven reserves	4.03	1.47	191
Probable reserves	3.22	1.39	144
Proven and probable reserves	**7.25**	**1.44**	**335**
Cochrane Hill			
Proven reserves	6.46	1.15	239
Probable reserves	4.70	1.02	154
Proven and probable reserves	**11.16**	**1.10**	**393**
Fifteen Mile Stream			
Proven reserves	2.89	1.24	115
Probable reserves	7.91	1.24	316
Proven and probable reserves	**10.80**	**1.24**	**432**
			1,585

Mineral Resources Table - MRC Phase 1 and Phase 2 Expansion

	Tonnes (m)	Grade (g/t)	Gold oz. (000)
Touquoy			
Measured resource	2.75	1.47	130
Indicated resource	7.34	1.48	349
Measured and Indicated resource	**10.09**	**1.48**	**479**
Inferred resource	**1.58**	**1.52**	**77**
Beaver Dam			
Measured resource	4.07	1.55	202
Indicated resource	5.20	1.34	224
Measured and Indicated resource	**9.27**	**1.43**	**426**
Inferred resource	**1.84**	**1.37**	**81**
Cochrane Hill			
Measured resource	6.17	1.22	242
Indicated resource	4.49	1.08	156
Measured and Indicated resource	**10.66**	**1.16**	**398**
Inferred resource	**1.63**	**1.32**	**69**
Fifteen Mile Stream			
Measured resource	2.71	1.33	116
Indicated resource	7.88	1.33	336
Measured and Indicated resource	**10.59**	**1.33**	**452**
Inferred resource	**6.64**	**1.12**	**240**
Total Measured and Indicated resource			**1,755**
Total Inferred resource			**467**

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°.

PFS Production Profile

The table below sets out gold production from MRC 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 waste to ore ratio		3.0	
Life of mine cash operating costs ($/oz)		$643	
Life of mine cash all-in sustaining costs ($/oz)		$692	

The Touquoy production numbers included in the above are taken from the Company's July 2, 2015 feasibility study, NI 43-101 Technical Report Feasibility Study for Moose River Consolidated Project, Nova Scotia with an effective date of July 2, 2015 and a filing date of August 13, 2015. Qualified Persons responsible for this report are Kevin Scott, Neil Schofield, Marc Schulte, Jeff Parks, and Tracey Meintjes. The full report is available on the Company's SEDAR profile and the Company's website.

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

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 waste to ore ratio and short haul to external waste dumps translates to a smaller production fleet, minimizing production costs in the process. The Company's effective ownership in Touquoy is approximately 63.2%. 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 December 31, 2018, the total estimated cost to be recovered under the agreement is approximately $178 million. 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.

PFS Cash operating costs

The cash operating costs of MRC 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

PFS 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.

(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. As at the effective date of this report, 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 the first half of 2019. Atlantic Gold currently intends to submit the Environmental Impact Study for both Fifteen Mile Stream and Cochrane Hill in Q2 and Q3 2019.

OTHER FINANCIAL INFORMATION

Summary of Quarterly Results

	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue (1)	37,643,686	41,913,575	35,888,640	12,881,462
Net income (loss) for the period	**$ 8,240,710**	**$ 7,969,986**	**$ 8,342,731**	**$ 3,310,557**
Income (loss) per share				
Basic	**$0.03**	**$0.03**	**$0.04**	**$0.02**
Diluted	**$0.03**	**$0.03**	**$0.04**	**$0.01**
	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)

(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. 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 Annual Financial Statements.

	December 31, 2018	December 31, 2017
Total cash(1)	$ 50,280,380	$ 32,687,346
Property, plant and equipment	$ 163,372,042	$ 178,712,023
Total assets	$ 302,701,983	$ 258,565,362
Long-term debt	$ 110,637,187	$ 105,617,533
Total liabilities	$ 151,325,634	$ 167,616,583
Working capital	$ 44,297,062	$ (24,003,425)

(1) As at December 31, 2017 cash and cash equivalents as presented above represents the cash and cash equivalents balance on the Company's Annual Audited Consolidated Balance Sheet of $22,093,914 plus the restricted cash balance of $10,593,432.

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

Cash flows

Cash and cash equivalents increased from $22,093,914 at December 31, 2017 to $50,280,380 at December 31, 2018. Cash inflow from operating activities was $69,580,185 during the year ended December 31, 2018, primarily due to proceeds received on gold sales of $128.5 million, partially offset by mine operating cash costs of $49.7 million, $5 million of cash general and administration costs (net of non-cash share-based payments of $4.10 million and depreciation of $26.5 million) and $4.8 million of cash used in inventory build up.

Cash flows used on operating activities in the year ended December 31, 2017 were $12,470,606 and related primarily to general and administrative costs of $4,747,272 and changes in non-cash working capital of $7,754,161 which related to changes in amounts owed by the Company.

	Year ended December 31, 2018	Year ended December 31, 2017
Cash from (used) in operating activities		
Net income (loss) and comrehensive income (loss) for the year	$ 27,863,981	$ (4,924,457)
Deferred income tax loss (recovery)	9,266,173	(2,212,846)
Accretion of reclamation obligation	89,898	48,165
Amortization	26,592,006	106,532
Share-based payments	4,083,432	1,895,949
Interest and other income	(570,322)	(218,537)
Interest expense and transaction costs	10,009,179	-
Net changes in non-cash working capital	(7,754,161)	(7,165,412)
Net cash provided (used) in operating activities	69,580,186	(12,470,606)

Cash flows used in investing activities were $34,028,921 in the year ended December 31, 2018 compared to $77,763,316 in the prior year. Investing activities are comprised of the following:

	Year ended December 31, 2018	Year ended December 31, 2017
Cash from (used) in investing activities		
Capital expenditures and capitalized pre-commercial production mine operating costs	(33,304,493)	(66,049,372)
Capitalized revenue	14,909,663	-
Exploration and evaluation expenditures	(20,075,847)	(10,853,003)
Restricted cash - Surety Bond, letter of credit	3,871,000	(1,127,000)
Interest received	570,756	266,059
Net cash used in investing activities	(34,028,921)	(77,763,316)

Capitalized pre-commercial production mine operating costs and capital expenditures relates to the commissioning of MRC as well as plant and equipment purchased during the period. Revenue proceeds of $14,909,663 relates to revenue earned in the first two months of 2018 (pre-commercial production). Exploration and evaluation expenditures are related to Fifteen Mile, 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 year were $7,364,798 compared to $97,930,849 cash inflow from the prior year. Financing activities are comprised of the following:

	Year ended December 31, 2018	*Year ended December 31, 2017*
Cash from (used) in financing activities		
Proceeds from stock option exercise	**1,071,812**	1,558,988
Proceeds from exercise of share purchase warrants	**11,779,464**	1,431,760
Proceeds from (payments against) long-term debt:		
Project Loan Facility	**(115,000,000)**	81,000,000
Revolving Credit Facility	**106,104,793**	-
Interest and transaction costs:		
Project Loan Facility	**(8,692,450)**	(2,767,189)
Revolving Credit Facility	**(6,186,860)**	-
Convertible debenture	**-**	(1,105,000)
Finance lease payments, including interest	**(3,163,990)**	(2,877,132)
Restricted cash - Equipment Finance Facility DSRA	**722,432**	(129,086)
Restricted cash - Project Loan Facility DSRA	**(7,000,000)**	-
Restricted cash - Project Loan Facility DSRA	**7,000,000**	-
Restricted cash - Minimum proceeds account	**6,000,000**	-
Proceeds receieved on sale lease back	**-**	756,468
Proceeds from private placement, net	**-**	20,062,040
Net cash provided (used) in financing activities	**(7,364,799)**	97,930,849

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 December 31, 2018, the Company had a balance of $50,280,380 in cash deposits and short-term GICs with major Canadian financial institutions.

The Company has a working capital position as at December 31, 2018 of $44,297,062. Included in this surplus position is $3,988,873 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 new revolving credit facility. MRC is expected to produce 92,000 to 98,000 ounces of gold in 2019 at a cash costs between CAD $560 and CAD $610 per ounce. In order to mitigate gold price risk, the Company has in place gold forward sales contracts for 158,480 ounces which is at a flat forward price of CAD $1,550 per ounce and scheduled out its hedged contracts to February 2021 (the "Hedge 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 December 31, 2018, the Company had drawn down $106,104,793, with a balance of $35,595,207 remaining available for future drawdowns. The initial drawdown on the RCF was used to repay all principal and accrued interest owing on the Company’s PLF.

Equipment Facility

The Company’s Equipment Facility was entered into 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 5.35%. The lease payment schedule is thus amended for each 90-day period to reflect increases or decreases to CDOR.

As at December 31, 2018, the Company had entered into a total of 26 equipment lease contracts, and as a result has recognized an $8,575,076 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.

Other sources of funding

Stock option and warrant exercises

During the year ended December 31, 2018, the exercise of stock option awards and warrants provided the Company with additional liquidity. A total of 2,970,625 stock options were exercised for total proceeds of $1,071,812. A total of 19,641,735 warrants were exercised for total proceeds of $11,779,464. On August 20, 2018, the remaining balance of 1,090,382 warrants outstanding expired.

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, of which $14,052,525 was related to the issue of flow-through shares. The funds raised through flow-through share private placements were used for qualifying exploration expenditures throughout 2018.

Commitments

An NSR of 3% is payable in respect of the Touquoy deposit, two-thirds of which can be purchased for $2.5 million. During Q1 2018, the Company fulfilled the buyback of the first 1% and provided notice to the royalty holder of such buyback. The second 1% buyback was completed in Q4 2018.

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.

SUBSEQUENT EVENTS

On January 17, 2019, the Company entered into an agreement to invest $9,000,000 by way of a non-brokered private placement financing as a strategic investment in Velocity Minerals Ltd. ("Velocity"). More information of the strategic investment in Velocity is disclosed in the Company's press release available on the Company's website.

On February 7, 2019, the Company announced a stock option grant for 6,195,000 at an exercise price of $1.84 to officers, directors and employees of the Company.

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 236,895,440 common shares issued and outstanding and 20,770,000 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	**Year ended 2018**	Year ended 2017
Steven Dean	Chairman and CEO	Consulting fees, benefits and share-based payments [1]	**$1,892,108**	$1,357,023
Maryse Belanger	President and COO	Wages, benefits, and share-based payments	**1,409,744**	1,123,777
Chris Batalha	CFO and Corporate Secretary	Wages, benefits, and share-based payments	**712,320**	425,712
Robert Atkinson	Director	Directors' fees and share-based payments	**166,779**	120,426
Don Siemens	Director	Directors' fees and share-based payments	**171,779**	117,926
David Black	Director	Directors' fees and share-based payments	**166,779**	120,426
William Armstrong	Director	Consulting fees, directors' fees and share-based payments [2]	**198,820**	146,494
Ryan Beedie	Director	Director's fees	**129,279**	76,291
Wally Bucknell	Director	Consulting fees and share-based payments	**232,529**	253,529
John Morgan	Director	Wages, benefits, and share-based payments [3]	**-**	104,466
			$5,080,137	$3,846,070

(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.
(3) John Morgan resigned as a director of the Company on November 30, 2017.

Amount due to related parties

Amounts due to related parties are as follows:

	December 31, 2018	December 31, 2017
Beedie Investments Limited[1]	**$ -**	$ 7,573,469
Sirocco Adivsory Services[2,4]	**484,219**	428,246
Metallica Consulting Services[3,4]	**-**	14,000
Directors[4]	**28,996**	15,500
Officers[4]	**388,226**	293,059
	$ 901,441	$ 8,324,274

(1) In May 2016, the Company issued $8 million of Debentures to Beedie Investment Limited, a company controlled by a director of the Company. On April 23, 2018, all Debentures and unpaid accrued interest owing to Beedie Investment Limited was converted into 13,491,738 common shares of the Company.
(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, being Steven Dean and Chris Batalha. During the year ended December 31, 2018, office lease and administrative expenditures billed to Oceanic amounted to $81,741(2017: $75,291). As at December 31, 2018, the Company was due $39,865 from Oceanic (December 31, 2017: $49,168).

ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates and judgments

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

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 judgment which will impact when the Company recognizes revenue, operating costs and depreciation and depletion in the consolidated statement of income (loss) and comprehensive income (loss). In making this determination, management considered whether (a) the major capital expenditures to bring the mine to the condition necessary for it to be capable of operating in the manner intended was complete; (b) ramping up to nameplate design capacity has been achieved for the operations; (c) the mill was meeting performance design criteria such as hourly throughput and process recovery; and (d) a saleable product could be produced. Effective March 1, 2018, management declared commercial production at the MRC mine from which date the Company ceased capitalisation of operating costs and commenced depletion and depreciation.

Fair Value of Investments through Other Comprehensive Income

Management judgment is used when determining the fair value of the Company's investment in a private company. Assumptions are used in preparing the valuation models used to determine the fair value of the asset, including gold prices, reserves and resources, discount for minority interest, foreign exchange, mine plans, operating costs, capital expenditures, and discount rates.

Own Use Exemption

Contracts to buy or sell a non-financial item, such as a commodity, that can be settled net in cash or another financial instrument fall under the scope of IFRS 9 and are accounted for as derivatives and marked to market through the consolidated statement of income (loss) and comprehensive income (loss). However, certain criteria exist whereby a contract may fall under an 'own use' exemption, and be exempt from the requirements of IFRS 9. The determination of the Company's accounting for its gold hedging contracts requires judgment to determine whether the contracts meet the requirements of 'own use'. An 'own use' contract is a contract that was entered into and continues to be held for the purpose of the delivery of a non-financial item in accordance with the Company's expected purchase, sale or usage requirements. Judgement was used to determine whether the Hedge Facility continues to meet the 'own use' requirements subsequent to the novation of the Hedge Facility to different lenders in September 2018. Management considered the Company's intent and ability to satisfy the Hedge Facility with the Company's own production based on the Company's current life of mine plan. Management has determined that the Hedge Facility meets the requirements of 'own use' and is thereby exempt from the requirements of IFRS 9.

Impairment of exploration and evaluation assets

The application of the Company's accounting policy for its exploration and evaluation assets requires judgment to determine whether the future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. If, after expenditures are capitalised, information becomes available suggesting that the recovery of such expenditure is unlikely, the relevant capitalised amount is written off in the consolidated statement of loss in the period when the new information becomes available.

Estimates

Mineral Reserves

The Company estimates its proven and probable mineral reserve on the basis of information compiled by an appropriately qualified person. The estimation of future cash flows expected to result from exploiting reserves includes assumptions about commodity prices, capital requirements, permits, metal recovery and production costs. Changes in proven and probable mineral reserve estimates may impact the carrying value of mineral properties, plant and equipment, restoration obligations, recognition of deferred tax amounts and depreciation and depletion.

Reclamation provision

Accounting for reclamation obligations requires management to make estimates of the future costs to be incurred to complete the reclamation and remediation work which is required to comply with existing laws, regulations and constructive obligation. The ultimate magnitude of the reclamation costs is uncertain, and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new reclamation techniques, and local inflation rates. The expected timing of expenditure can also change, for example, in response to changes in mineral reserves or production rates, timing of planned restart of operations or economic conditions. As a result, there could be significant adjustments to the provision for reclamation, which would affect future financial results.

Valuation of inventory

All inventory is valued at the lower of average costs or net realizable value. Management is required to make various estimates and assumption to determine the value of stockpiled ore, ore in process and finished goods inventory. The estimates and assumptions included surveyed quantities of stockpiled ore, in-process volumes, contained metal content, recoverable metal content, costs to recover saleable metal and metal prices. Changes in these estimates can result in changes to the carrying amounts of inventories and mine operating costs in future periods.

Deferred income taxes

The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on income in the period that the changes occur.

Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on future expected levels of table income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives. Levels of future taxable income are affected by, among other things, market gold prices, production costs, quantities of proven and probable gold reserves, and interest rates.

Changes in accounting standards recently adopted

IFRS 9 - Financial Instruments ("IFRS 9")

For the year ended December 31, 2017, the Company applied policies based on IAS 39. During the year, the Company adopted IFRS 9. The effects of the transition from IAS 39 to IFRS 9 are described below.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaced the guidance in IAS 39 that relates to the classification and measurement of financial instruments. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets, for assets that were recognized at the date of application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date, other than the Company's available-for-sale asset, discussed in more detail below.

The following is the Company's new accounting policy for financial instruments under IFRS 9.

IFRS 9 establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The Company determines the classification of the financial assets at initial recognition. The basis of classification depends on the Company'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. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as fair value through other comprehensive income. The Company has chosen to make this election for its investment in a private company.

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and have summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

	Measurement Category	
	Original (IAS 39)	**New (IFRS 9)**
Financial assets		
Cash and cash equivalents	Amortised cost	**Amortised cost**
Due from related parties	Amortised cost	**Amortised cost**
Receivables	Amortised cost	**Amortised cost**
Restricted cash	Amortised cost	**Amortised cost**
Investment in a private company	Available-for-sale	**Fair value through other comprehensive income**
Financial liabilities		
Accounts payable and accrued liabilities	Amortised cost	**Amortised cost**
PLF/ RCF	Amortised cost	**Amortised cost**
Equipment facility	Amortised cost	**Amortised cost**

Due to related parties	Amortised costs	**Amortised cost**

The investment in a private company held by the Company is comprised of shares in a Company that owns a 40% interest in the Touquoy project and does not have a quoted price in an active market. Under IAS 39, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity was precluded from measuring the instrument at fair value. On adoption of IFRS 9 the Company was required to measure the equity investment at fair value. As the Company has opted not to restate the comparative period under IFRS 9's transition rules, it has recognized the effects of retrospective application to shareholder's equity at the beginning of the 2018 annual reporting period. Therefore, the adoption of IFRS 9 resulted in a decrease to opening accumulated other comprehensive income on January 1, 2018 of $948,054 from the change in carrying amount under IAS 39 of $248,077 for the unquoted equity investment as measured under IAS 39 to $1,196,134 under IFRS 9. There have been no other changes in the carrying value of the Company's financial instruments or to previously reported figures as a result of changes to the measurement categories in the table noted above. As there were no other changes, the Company has not provided a reconciliation of the original measurement carrying amount under IAS 39 compared to the carrying amount under IFRS 9.

The Company typically recognises revenue when refined gold is delivered to the respective customer's account and receives cash concurrently or immediately after delivered to the customer account. Therefore, the Company does not typically have significant credit risk from the underlying customers from gold sales. Under IFRS 9, the Company applies a lifetime approach to measuring an expected credit loss allowance. However, the Company does not have any significant allowance as there is limited exposure to credit losses as at December 31, 2018 based on the short time period in which the Company would have a receivable. The Company has credit risk exposure from certain other financial instruments such as cash, however, the impact of an expected credit loss would be inconsequential after taking into account the risk of default based on the nature of the counterparties. Accordingly, the Company has not provided a reconciliation on transition to IFRS 9 of an IAS 39 allowance as compared to IFRS 90 allowance as the allowance is inconsequential.

Changes in accounting standards not yet effective

IFRS 16 - Leases

On January 6, 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). This standard specifies the methodology to recognize, measure, present and disclose leases. This standard replaces IAS 17 Leases. 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. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company has developed an implementation plan to determine the impact on the consolidated financial statements. The Company has compiled all its existing operating lease contracts and service contracts and has identified which contracts would be within scope of IFRS 16. Although the Company expects an increase in depreciation and accretion expenses and an increase in cash flow from operating activities as any lease payments will be recorded as financing outflows in the statements of cash flows, the impact is not expected to be material, as the Company's existing operating leases are not material.

The Company will be adopting IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognized as an adjustment to equity at the date of initial application. Comparative figures are not restated to reflect the adoption of IFRS 16. Additionally, the Company will be adopting the exemption for leases with a lease term of 12 months or less and for leases that are low value. Given that the Company's existing operating leases are not material, no material adjustment to equity will be recognized upon IFRS 16 adoption on January 1, 2019. The Company's accounting for finance leases remained substantially unchanged.

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 is 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 December 31, 2018 and December 31, 2017 are summarized as follows:

	December 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	$ 50,280,380	$ 50,280,380	$ 22,093,914	$ 22,093,914
Due from related parties	39,865	39,865	49,168	49,168
Receivables	322,838	322,838	223,539	223,539
Restricted cash	-	-	10,593,432	10,593,432
Investment in a private company	1,196,134	1,196,134	248,077	N/A
Financial liabilities				
Accounts payable and accrued liabilities	$ 19,596,272	$ 19,596,272	$ 22,807,073	$ 22,807,073
PLF	-	-	115,111,746	113,789,000
Revolving Credit Facility	105,389,200	106,104,793	-	-
Equipment facility	8,575,076	8,087,016	10,409,317	9,859,000
Due to related parties	901,441	901,441	750,805	750,805

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 5.35% 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 $1,647,616 on net income (loss) and comprehensive income (loss).

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 December 31, 2018, there was 158,480 oz 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 December 31, 2018, 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 share-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 December 31, 2018		Year ended December 31, 2018
Gold ounces sold		**23,405**		**90,346**
Total cash costs reconciliation				
Cost of sales[(2)]	$	13,597,026	$	51,222,136
Less: Site share-based payments[(2)]		(227,575)		(1,008,458)
Add: Refining fees[(3)]		75,341		202,558
Total cash costs	$	13,444,792	$	50,416,236
Total cash cost per ounce sold	$	574	$	558
AISC reconciliation				
Total cash costs	$	13,444,792	$	50,416,236
Sustaining capital expenditures		1,947,003		9,098,690
Accretion on reclamation obligation		36,026		89,898
Amortization of reclamation obligation		229,019		810,737
Corporate general and administrative costs[(1)]		1,877,318		5,704,751
	$	17,534,158	$	66,120,312
AISC per ounce sold	$	749	$	731

(1) Corporate general and administrative costs is net of $434,209 and $3,266,893 of share-based payments for the three and 12 months ended December 31, 2018, respectively, in addition to amortization of $27,409 and $53,143 for the three and 12 months ended December 31, 2018, respectively.

(2) Cost of sales of $51,222,136 comprises $45,902,574 of operating costs for the months of March 1, 2018 to December 31, 2018 which is recorded in the Company's Statement of Income (Loss) and Other Comprehensive Income (Loss), and $5,319,562 of operating costs which is capitalized (see note 9 of the Annual December 31, 2018 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 share-based payments.

(3) Refining fees of $202,558 comprises refining fees incurred for the months of March 2018 to September 2018, which is netted against revenue in the Company's Statement of Income (Loss) and Other Comprehensive Income (Loss).

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 comprehensive earnings (loss) 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 December 31, 2018		Year ended December 31, 2018
Revenue [1]	$	37,643,686		$ 143,237,026,
Add: Refining fees		75,341		202,558
Gross Revenue		37,719,027		143,439,584
Gold ounces sold		23,405		90,346
Average realized price per ounce sold	$	1,612	$	1,588
Less: cash costs per ounce sold		574		558
Average realized margin per gold ounce sold	$	1,038	$	1,030
Average realized price per ounce sold	$	1,612	$	1,588
Less: AISC per ounce sold		749		731
AISC margin per gold ounce sold		863		857

(1) Revenue of $143,237,026 comprises $128,327,363 of revenue for the months of March 1, 2018 to December 31, 2018 which is recorded in the Company's Statement of Income (Loss) and Other Comprehensive Income (Loss), and $14,909,663 of revenue which is capitalized (see note 9 of the December 31, 2018 annual 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 share-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 share-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.

	Year ended December 31, 2018		Year ended December 31, 2017
Net earnings (loss)	**$**	**27,863,981**	$ (4,924,457)
Deferred income tax loss (recovery)		**9,266,173**	2,212,845
Depreciation and depletion		**26,592,005**	106,532
Share-based payments		**4,083,432**	1,895,949
Financing costs		**10,301,307**	606,088
Interest and other income		**(570,321)**	(218,536)
Adjusted EBITDA	**$**	**77,536,576**	$ (321,579)

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 March 4, 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.