

## Canadian Equity Research

16 July 2018

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## SPECULATIVE BUY

unchanged

PRICE TARGET C\$3.50

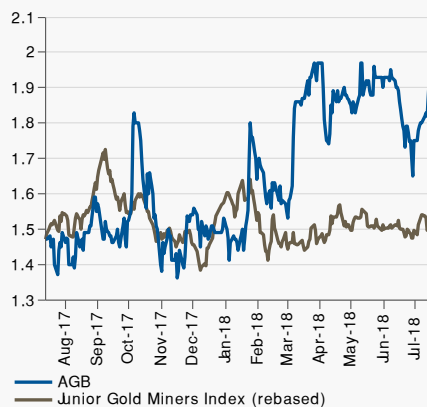
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Price (13-Jul) C\$1.93

Ticker AGB-TSXV

52-Week Range (C\$):	1.30 - 1.99
Avg Daily Vol (M) :	0.3
Market Cap (C\$M):	432
Shares Out. (M) :	224.0
Enterprise Value (C\$M):	517
Cash (C\$M):	15.0
P/NAV (x) :	0.52

FYE Dec	2018E	2019E	2020E
Cash & Equiv. (C\$)	68.6	120.8	132.1
Gold Production (000oz)	87	87	87
Total Cash Cost By-Prod.(Gold) (US\$/oz)	423	447	450
EPS Adj&Dil (C\$)	0.22↓	0.27↓	0.12↓
Previous	0.29	0.35	0.31



Priced as of close of business 13 July 2018

Vancouver-based Atlantic Gold recently emerged as a mid-tier gold producer with the commencement of production at the Moose River Consolidated operation in Nova Scotia, Canada.

## Estimates Revised

## Moving into an elite league

We reiterate our SPECULATIVE BUY rating and C\$3.50 price target (0.95x P/NAV) on Atlantic Gold following a positive visit last week to the Moose River Consolidated operation in Nova Scotia. The operation showed very well, and although Q2/18 represented only the first full quarter of commercial production, the mine and plant both appear to be operating consistently at/above design capacity.

- Plant throughput averaged 6,233 tpd in Q2/18 (13% above 5,500 tpd design) and we believe the outperformance could continue.
- Mine productivity is very impressive with design mine throughout of 20,000 tpd being achieved with five trucks (vs six originally planned). This has also helped build (and grow) a substantial stockpile (currently at 1.4 Mt) which provides significant flexibility.
- Mined grades should improve in H2/18 (to/above reserve grade of 1.44 g/t) since the historical tailings material impeding access to higher grade ore has been moved.
- We anticipate significant reserve/resource growth following incorporation of results from the successful Phase 3 drill program; the Phase 4 regional program is off to a great start with the first round leading to a new discovery at the 149 prospect.

**We see potential upside to our FY18 production forecast of 87 koz at US\$559/oz**

**AISC** (within the guided range of 82 - 90 koz at AISC of US\$540 - US\$580/oz) if the mine/mill outperformance were to continue. We see the potential for upside to both our throughput assumption (5,800 tpd), head grade assumption (1.44 g/t) and recovery assumption (95%) for H2/18 in light of ytd performance.

**Inexpensive valuation for a potentially premium asset; takeover potential cannot be ignored at current levels.** Atlantic Gold currently trades at 0.52x P/NAV (forward-curve) which represents a 15% discount to the mid-cap producer average of 0.61x. That said, we believe a premium is warranted considering the ownership of a large (production potential >200 koz/year), long-life (~15 years based on CG forecasts) producing asset in Canada (low geopolitical risk) with lowest quartile costs (average LOM AISC of US\$587/oz based on CG forecasts). In fact, making an appropriate comparison is difficult since most single asset companies that owned an attractive (comparable) producing asset in Canada have been acquired by larger producers. As discussed later, AGB trades at a 31% discount to the average (normalized) P/NAV multiple of 0.76x implied by comparable past acquisitions. We believe key potential catalysts for rerating will likely be:

1. Operating and financial results in the next few quarters, which should help establish that that ramp-up risks are behind us while confirming feasibility study parameters.
2. Reserve/resource update (late 2018/early 2019) incorporating the attractive results from the Phase 3 drill program (confirming the longevity of the operation).

**Forecasts:** In addition to incorporating Q2/18 production, our forecasts have been updated to reflect the recently obtained C\$150M RCF (which replaced the C\$110M PLF) and in turn allows for an accelerated development timeline for the Phase 2 expansion (we now model completion by 2022 vs 2023 previously). The reduction in our 2018/19 EPS/CFPS estimates largely reflects higher interest expense reflecting higher debt levels to support accelerated capital spending.

**Strong operational performance likely to continue; focus shifting from ramp-up to optimization**

Despite challenges posed by severe weather in December and January, the ramp-up of the Moose River Consolidated operation has been relatively quick with [commercial production declared](#) in early March. Since then, the operation appears to have quickly ramped to steady state as highlighted by Q2/18 results. Despite temporary sequencing issues that delayed access to higher grade ore in the Touquoy pit (which contributes 100% of mill feed right now), [Q2/18 production of 22,269 oz was above guidance of 20-21 koz](#), with the lower grades more than offset by increased tonnage through the plant (13% above design of 5,500 tpd). The old tailing material that prevented access to higher grade ore has been moved (4,000 tonnes) with access to higher grade material having been restored since early June. An additional 32,000 tonnes of old tailing material remains to be moved, although that material is not expected to interfere with the FY2018 mine plan.

Both the mine as well as the processing facility appear to now be consistently operating at/above design, and FY2018 guidance (82 – 90 koz @ US\$540 - \$588/oz) appears to be comfortably attainable. In fact, we see the potential for the mine and plant outperformance to continue through the year, in which case we believe guidance could prove conservative.

**Processing facility consistently outperforming design; ongoing optimization efforts could further improve performance**

Q2/18 represented the first full quarter of commercial production, while we acknowledge that one quarter does not necessarily represent a trend, the processing facility appears to have ramped up fully and now operates consistently above the 5,500 tpd design run-rate as illustrated by Q2/18 production results, when the plant averaged 6,233 tpd (13% above design). Efforts are currently underway to further debottleneck the circuit to sustain and potentially improve current performance. Our forecasts for H2/18 assume average throughput of 5,775 tpd, but we believe guidance could prove conservative if the current trend were to continue. Gravity recoveries currently average 60%, within design range of 50 – 70% and efforts are underway to improve gravity recoveries towards the upper end of the range. In addition, the ore is relatively clean, and as such the remainder of the gold (not recovered through gravity) leaches quickly (almost all the recoverable gold is recovered in the first four leach tanks, out of seven) with cyanide consumption much lower than expected (actual consumption of 0.19 dry kg/tonne vs design of 0.52 dry kg / tonne). A carbon fines recovery circuit is being considered and could also improve recoveries. Either way, we note that ytd gold recoveries of 94.7% are above projected feasibility recoveries of 92.9%.

**Impressive mining productivity and sizeable ore stockpile significantly increase operational flexibility; mined grades reconciling well with reserve model**

With the plant performing very well, the mine has shown that it can comfortably keep the mill well fed while at the same time continuing to grow what currently is a substantial stockpile, which in turn provides significant operational flexibility. Mining rates are consistently above design of 20,000 tpd (ore and waste), and with only five trucks vs the original plan of six, suggesting much better productivity relative to plan. Higher productivity levels have also helped drive lower unit mining costs, in turn facilitating a reduction in the cut-off grade (vs the 0.40 g/t used to estimate reserves at Touquoy). In addition, this appears to have also facilitated an increase in head grade to the plant. We note that, despite the temporary lack of access to higher grade material in April/May, overall milled grade to date of 1.35 g/t is in line with the original Phase 1 plan, but we see the potential for higher grades if current high productivity levels were to continue (we note that head grades averaged 1.44 g/t in Q1/18 and 1.53 g/t for the month of March). The overall ore stockpile (low and medium grade

combined) currently stands at 1.4 Mt (grade not provided) and is expected to further grow to 2.3 Mt by year-end. In comparison, the original Phase 1 plan did not forecast the creation of a meaningful stockpile. The benefit of the stockpile was seen with Q2/18 production, when MRC was able to deliver better-than-budgeted production despite the limited access to higher grade material thanks to a combination of available stockpiled ore as well as strong performance of the plant. In addition, mined grades have continued to reconcile well with the reserve/resource model (within +/- 10% of the model).

**Unit costs tracking below budget, partly the impact of higher-than-expected productivity levels/lower input consumption/costs; potential upside to our forecasts if the trend were to continue**

Unit mining costs averaging C\$2.55/tonne moved (vs >C\$3.00/tonne budget, and better than our steady state assumption of C\$2.75/tonne) and unit processing costs averaging C\$9.25/tonne (below budget of C\$9.75/tonne and in line with our steady state assumption). We currently estimate FY2018 AISC of US\$559/oz, which is within FY2018 guidance range of \$540 - \$588/oz. That said, we note that our forecasts assume H2/18 unit mining costs and processing costs of C\$2.75/tonne moved and \$10/tonne processed, respectively, which are looking conservative. We have not made any changes to our H2/18 forecasts (since Q2/18 represents only the first full quarter of commercial production), but we note the potential upside to our forecast if the trend were to continue.

**Incorporation of the Phase 3 drill program could yield significant reserve and resource growth; further upside from continued exploration investment**

In addition to ramping up production at the Touquoy deposit, the company remains committed to near-mine and regional drilling, with the intention to identify additional deposits. The now complete Phase 3 drill program included 24.3 km of drilling at Fifteen Mile stream and 6.9 km at Cochrane Hill, with the results suggesting the potential to expand the resource at both deposits along strike and at depth (see Figure 5 for Cochrane Hill cross section showing mineralized intercepts at depth). We believe that additional drilling may be required to upgrade all of these resources to reserves. Current consolidated reserves stand at 1.59 Moz grading 1.28 g/t, with the overall resources (Measured, Indicated and Inferred) at 2.2 Moz. Our mineable resource estimate for MRC (LOM) currently stands at 2.5 Moz grading 1.26 g/t, which includes reserve additions of 0.91 Moz grading 1.21 g/t. However, in light of consistently positive exploration results, we believe our forecasts could prove to be conservative even before including the potential upside from the regional program. An updated reserve/resource estimate (possibly late 2018/early 2019) should incorporate the results from the ongoing Phase 3 program and could be a key catalyst for the re-rating of the shares.

**Regional exploration returning promising results; discovery of new zone (149 prospect) with only first round highlighting prospective nature of the land package**

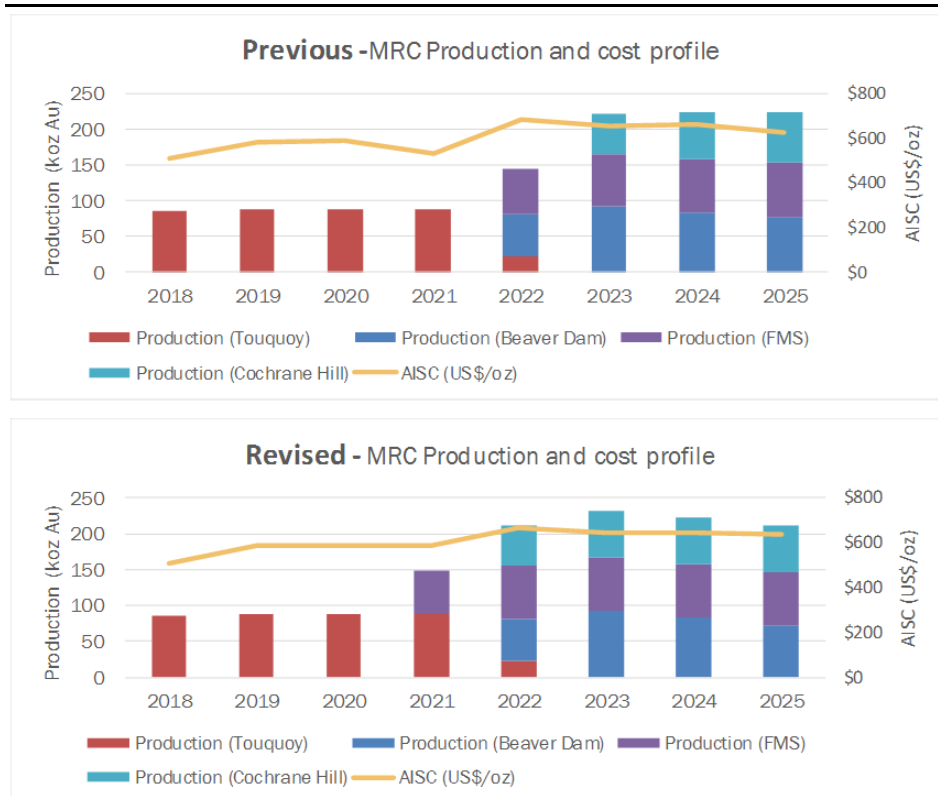
With the Phase 3 drill program now complete, the bulk of the company's exploration focus has turned to the Phase 4 Corridor Regional Program. The Phase 4 program consists of up to 100km of drilling along the +45km un-tested structure which hosts the currently identified deposits. The [first batch of exploration results](#) from the program have been encouraging, with drilling at the historical 149 Prospect (located 1km to the east of the Fifteen Mile Stream deposit) identifying near-surface gold mineralization in multiple holes along strike, and at depth. The similarity of mineralization to that seen at Fifteen Mile Stream is particularly encouraging, with the shallow depth also implying the potential low strip-ratio for a potential open-pit mining scenario. Two drill rigs remain active on the Phase 4 Regional Corridor exploration program. We are optimistic that the Phase 4 program could continue to return meaningful new discoveries considering the team's advanced understanding of the

geology/structural setting as well as historical drilling/mining activities on the package (that occasional serve as a guide).

### Revolving credit facility provides the flexibility to accelerate MRC Phase 2 timelines

On July 3, the company announced that it had executed a commitment letter for a C\$150M revolving credit facility, which will replace the current C\$110M project loan facility (PLF). In addition to having less restrictive terms and likely a lower interest rate, the new facility will allow for much greater financial flexibility going forward as the company pursues its growth plans, as outlined in the Expansion PFS released in early-2018. With the elimination of quarterly principal payments under the PLF, our forward-curve derived forecasts show that Atlantic Gold could fund the mill expansion and development of its Fifteen Mile Stream and Cochrane Hill deposits through internal cash flows on a timeline as described in the PEA (we had previously delayed development due to funding restrictions). The company ended Q1/18 with C\$15.2M in cash an equivalent and a C\$23M working capital deficit (since eliminated through the refinancing of the outstanding debt). This cash, the incremental C\$40M in additional liquidity provided by the RCF and the estimated C\$328M in cash flow from operations (2018 – 2021) is sufficient to fund the estimated \$229M in capex associated with the mill expansion and development of the FMS, Beaver Dam and Cochrane Hill deposits. As a result of bringing the expansion forward, we now forecast production of +200koz/year in 2022 vs 2023 previously (see Figure 1).

**Figure 1: Flexibility provided by revolving credit facility de-risks development and allows for quicker development vs our previous estimates**

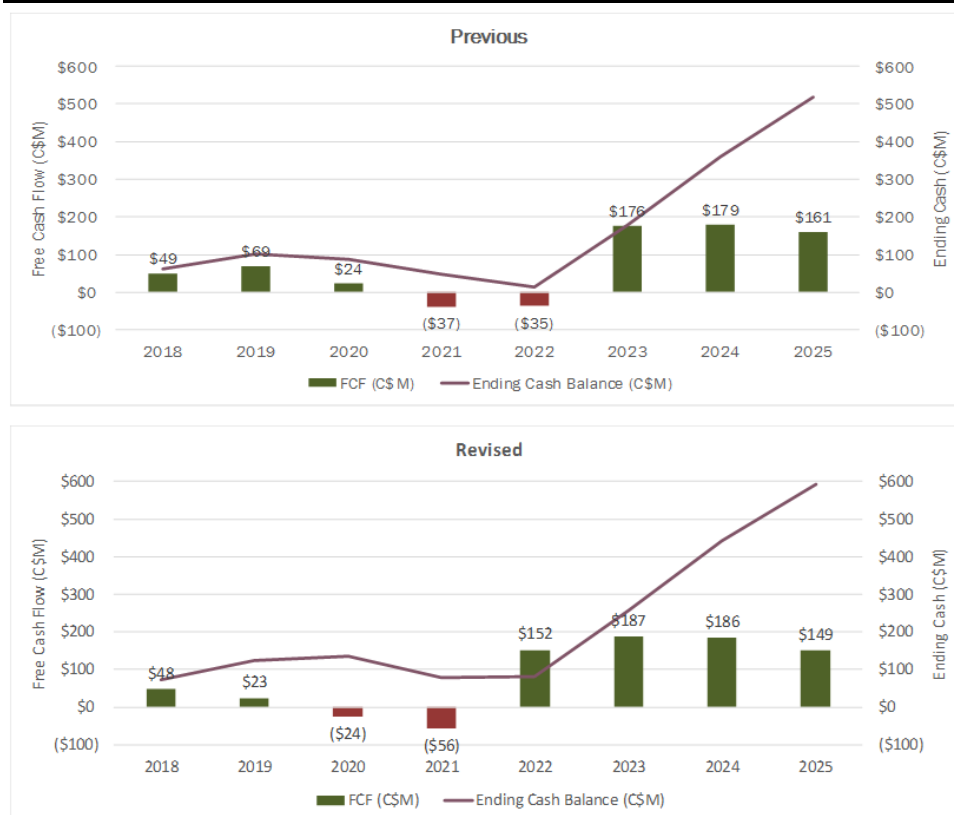


Source: Company Reports, Canaccord Genuity estimates

In addition to allowing for an accelerated development of the Fifteen Mile Stream and Cochrane Hill deposits, the increased available liquidity under the revolving credit facility should provide an additional cash cushion during peak spend (we forecast a trough cash balance of C\$78M in Q4/21 (vs C\$14M in Q4/22 previously), see Figure

2. We note that our assumptions include a full-draw of the C\$150M credit facility, as well as a 1-year extension to the current 3-year term, but conservatively assume the same interest rate of the current PLF (Canadian Dealer Offered Rate + 4.5%), where the company has indicated it expects a better rate.

**Figure 2: Increased liquidity provided by RCF improves cash balance profile**



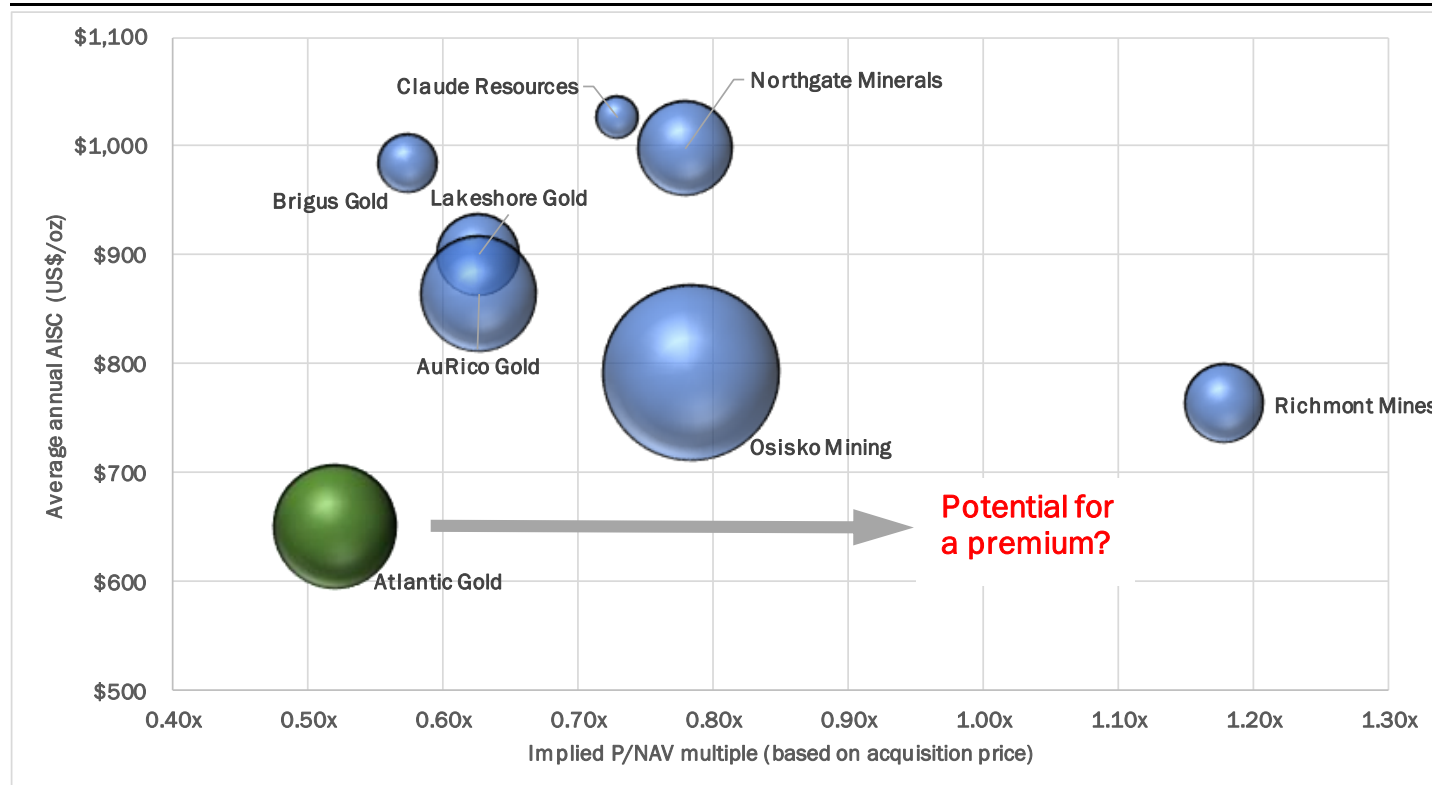
Source: Company Reports, Canaccord Genuity estimates

### **Very attractive entry point into a premium asset; Atlantic Gold trades at a meaningful discount to takeover valuations of other Canadian assets**

Atlantic Gold currently trades at 0.52x P/NAV (forward-curve) which represents a 15% discount to the mid-cap producer average of 0.61x. That said, we believe a scarcity premium is warranted considering the ownership of a large (production potential >200 koz/year), long-life (~15 years based on CG forecasts) producing asset in Canada (very low geopolitical risk) with among the lowest quartile costs (average LOM AISC of US\$587/oz based on CG forecasts).

Making an appropriate comparison is in fact difficult today since most single asset companies that owned an attractive (comparable) producing asset in Canada have been acquired by larger intermediate producers seeking to replace depleting reserves and grow production levels while lowering the overall geopolitical risk associated with the portfolio. Since we consider Atlantic Gold to be an attractive M&A target, we have attempted to compare current trading multiples with multiples implied by the acquisition price for previous takeovers of single-asset Canadian gold producers. Figure 3 highlights the current P/NAV multiple of Atlantic Gold relative to implied multiples paid in previous acquisitions (with all multiples normalized to reflect a gradual decline in sector valuations since the announcement of the respective acquisitions). As highlighted below, Atlantic Gold currently trades at a 31% discount to the average (normalized) P/NAV multiple of 0.76x implied by past acquisitions.



**Figure 3: Atlantic Gold vs past acquisitions of Canadian single-asset companies (P/NAV multiple vs average annual AISC)****Notes:**

1. Implied P/NAV multiples for acquired companies calculated based on acquisition price and forward-curve based NAV (based on prevailing Canaccord Genuity forecasts) prior to announcement of transaction. Latest trading P/NAV multiple for AGB.
2. Implied P/NAV multiples for acquired companies normalized to reflect changes in precious metal producer sector valuations since the date of acquisition.
3. Size of bubbles represents the average annual AISC margin (US\$ M) assuming a gold price of \$1,250/oz Au, average annual production and average AISC (based on prevailing CG estimates for three-year period following the acquisition).
4. Average annual AISC margin (US\$ M) for AGB reflects average CG forecasts for the first three years following completion of the MRC Phase 2 expansion (2022E - 24E)

Source: Company Reports, Canaccord Genuity estimates

While we are surprised to see the discounted valuation, we believe the discount may be attributable to a few factors including,

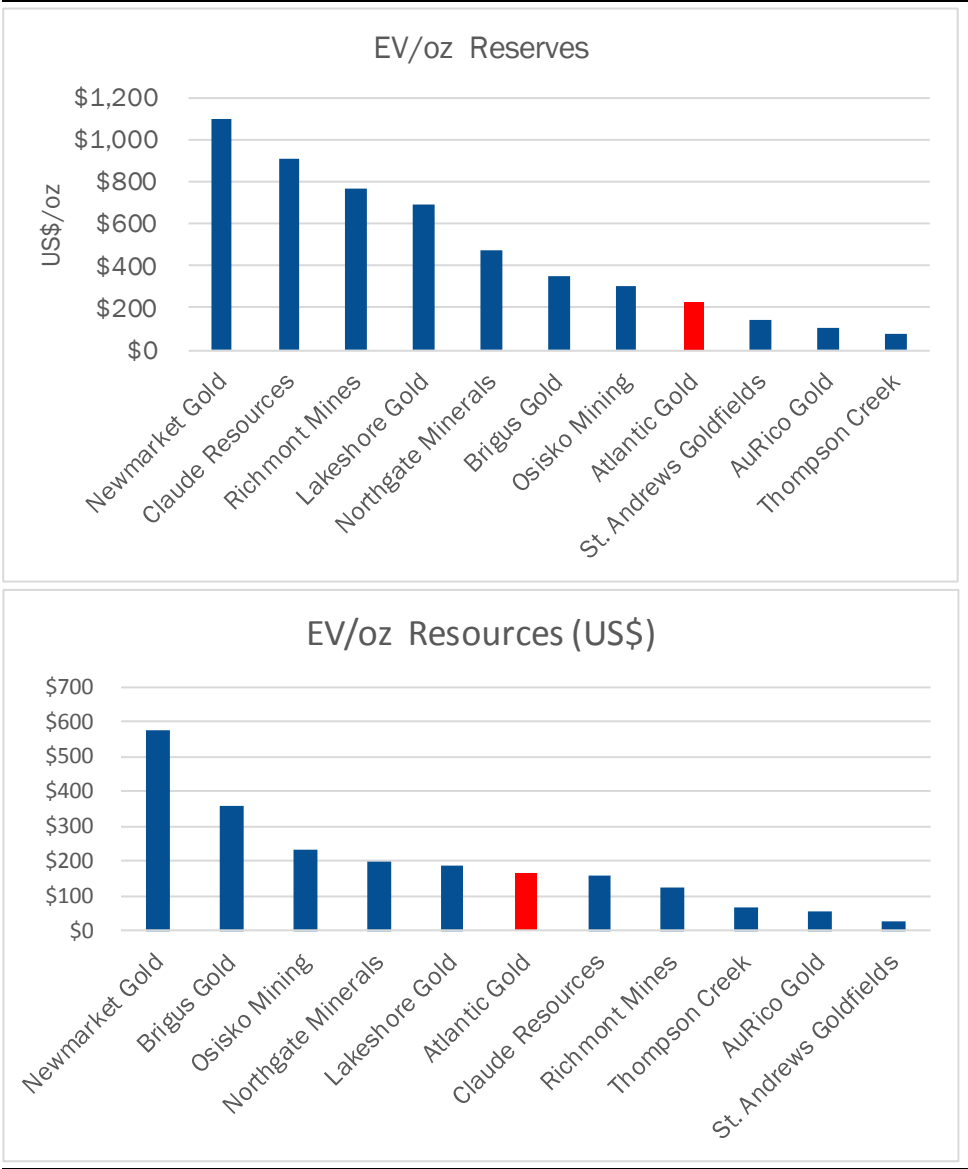
1. Potential ramp-up risks that could affect any operation in the first year of production
2. Capital and cost escalation seen by other Canadian operations and concerns that MRC may be impacted as well.
3. Less than 10 year mine-life as highlighted by current reserves as per the latest Phase 2 expansion mine plan.

So far, the ramp-up at MRC appears to have progressed very well with both the mine and mill operating consistently at/above design. That said, with Q2/18 representing only the first full quarter of commercial production, investors may be looking for sustained performance over the next 2-3 quarters before accepting that the ramp-up is complete and that ramp-up risks are behind us. On the cost front, we expect AISC to

continue to trend lower and expect that actual cost performance in FY2018 will likely be key to confirming feasibility forecasts. On the reserve front, we note that current reserves exclude any benefit from the Phase 3 drill program that has yet to be incorporated into the mine plan. We believe the incorporation of the Phase 3 drill program could lead to a significant increase in reserve life, possibly well in excess of 10 years (we currently model ~15 years). As such, we believe that key potential catalysts for multiple expansion will likely be operating and financial results in the next few quarters in addition to a potential reserve/resource update (late 2018/early 2019) incorporating the attractive results from the extensive Phase 3 drill program. If the valuation discount were to linger, we believe Atlantic gold could ultimately be acquired for a significant premium by a larger producer.

Figure 4 highlights where Atlantic Gold currently trades on an EV/oz reserves and EV/oz total resources basis compared to multiples paid in previous transactions. On a reserves basis, Atlantic Gold currently trades at \$228/oz, which represents a 51% discount to the average acquisition implied multiple. On a total resources (including reserves) basis, Atlantic Gold trades at \$194/oz, representing a 16% discount to the implied average multiple.

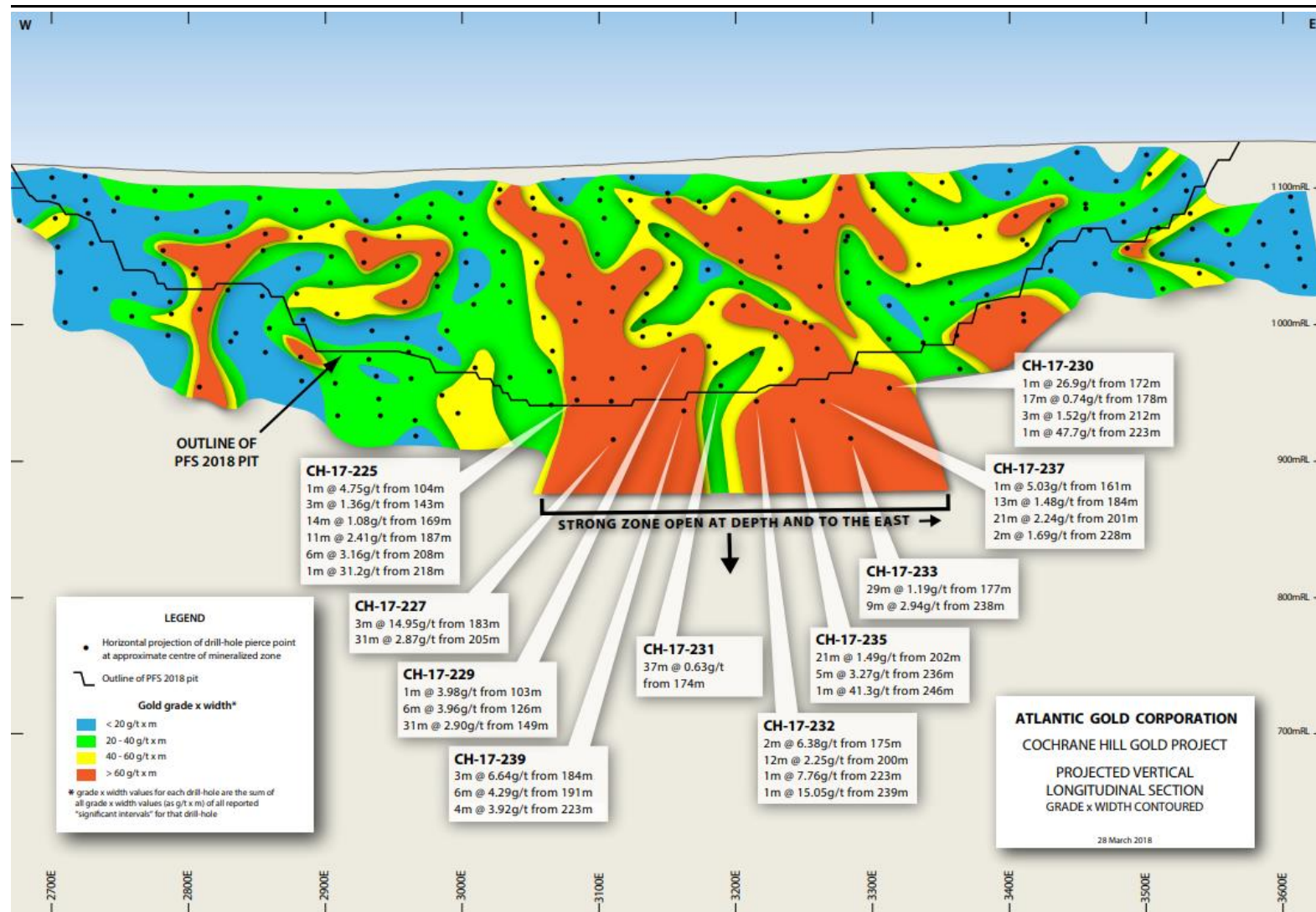
Figure 4: EV/oz reserves (and total resources) implied by precedent transactions



Source: Company Reports, Canaccord Genuity estimates



Figure 5: Recent drill results at Cochrane Hill highlight potential for resource growth at depth



Source: Company Reports, Canaccord Genuity estimates

Figure 6: Operating Summary

(C\$M except per share data)

FYE Dec 31		2018E	2019E	2020E	2021E	2022E
<b>Production &amp; Cost Summary</b>						
Moose River Consolidated Operation (100%), Canada	Production Au (000 oz)	87	87	87	150	211
	Sales Au (000 oz)	77	87	87	150	211
	Cash Operating Costs (US\$/oz)	\$396	\$420	\$421	\$459	\$504
	Total Cash Costs (US\$/oz)	\$423	\$447	\$450	\$488	\$534
	All-in-sustaining Costs (US\$/oz)	\$522	\$547	\$550	\$562	\$650
<b>Consolidated</b>	<b>Production Au (000 oz)</b>	<b>87</b>	<b>87</b>	<b>87</b>	<b>150</b>	<b>211</b>
	<b>Sales Au (000 oz)</b>	<b>77</b>	<b>87</b>	<b>87</b>	<b>150</b>	<b>211</b>
	<b>Cash Operating Costs (US\$/oz)</b>	<b>\$396</b>	<b>\$420</b>	<b>\$421</b>	<b>\$459</b>	<b>\$504</b>
	<b>Total Cash Costs (US\$/oz)</b>	<b>\$423</b>	<b>\$447</b>	<b>\$450</b>	<b>\$488</b>	<b>\$534</b>
	<b>All-in-sustaining Costs (US\$/oz)</b>	<b>\$559</b>	<b>\$584</b>	<b>\$587</b>	<b>\$584</b>	<b>\$666</b>
<b>Capital Expenditures (US\$ M)</b>						
Moose River Consolidated Operation (100%), Canada	Sustaining Capex	\$8	\$9	\$9	\$11	\$24
	Growth Capex	\$5	\$33	\$66	\$130	\$0
	Total Capex	\$13	\$42	\$75	\$141	\$24
<b>Consolidated</b>	<b>Sustaining Capex</b>	<b>\$11</b>	<b>\$11</b>	<b>\$11</b>	<b>\$14</b>	<b>\$30</b>
	<b>Growth Capex</b>	<b>\$6</b>	<b>\$41</b>	<b>\$82</b>	<b>\$161</b>	<b>\$0</b>
	<b>Total Capex</b>	<b>\$17</b>	<b>\$52</b>	<b>\$93</b>	<b>\$175</b>	<b>\$30</b>
<b>Operating Parameters</b>						
Moose River Consolidated Operation (100%), Canada	Throughput (tpd)	5,614	5,479	5,479	10,137	15,619
	Tonnes processed (000 t)	2,049	2,000	2,000	3,700	5,701
	Grade processed, Au (g/t)	1.40	1.44	1.44	1.35	1.24
	Recovery, Au (%)	94.3%	94.0%	94.0%	93.4%	92.5%
	Open-pit Strip Ratio (Waste : Ore)	1.59	2.67	2.67	3.10	3.71
	Unit site costs (US\$/tonne processed)	\$20.58	\$17.92	\$17.97	\$19.21	\$20.78
<b>Consolidated</b>	<b>Throughput (tpd)</b>	<b>5,614</b>	<b>5,479</b>	<b>5,479</b>	<b>10,137</b>	<b>15,619</b>
	<b>Tonnes processed (000 t)</b>	<b>2,049</b>	<b>2,000</b>	<b>2,000</b>	<b>3,700</b>	<b>5,701</b>
	<b>Grade processed, Au (g/t)</b>	<b>1.40</b>	<b>1.44</b>	<b>1.44</b>	<b>1.35</b>	<b>1.24</b>
	<b>Recovery, Au (%)</b>	<b>94.3%</b>	<b>94.0%</b>	<b>94.0%</b>	<b>93.4%</b>	<b>92.5%</b>
	<b>Open-pit Strip Ratio (Waste : Ore)</b>	<b>1.59</b>	<b>2.67</b>	<b>2.67</b>	<b>3.10</b>	<b>3.71</b>

Source: Company Reports, Canaccord Genuity estimates

**Figure 7: Income Statement***(C\$M except per share data)*

<b>FYE Dec 31</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Revenue	\$127	\$150	\$155	\$273	\$394
Operating Costs	(\$41)	(\$49)	(\$49)	(\$91)	(\$139)
Gross Margin	\$86	\$102	\$106	\$182	\$255
Corporate G&A, Other	(\$13)	(\$17)	(\$20)	(\$4)	(\$4)
<b>EBITDA</b>	<b>\$73</b>	<b>\$85</b>	<b>\$86</b>	<b>\$178</b>	<b>\$251</b>
Depreciation	(\$13)	(\$10)	(\$12)	(\$30)	(\$56)
<b>EBIT</b>	<b>\$61</b>	<b>\$75</b>	<b>\$74</b>	<b>\$148</b>	<b>\$195</b>
Interest Expense, Net	(\$9)	(\$10)	(\$11)	(\$13)	(\$8)
Other	\$0	\$0	\$0	\$0	\$0
<b>Earnings Before Taxes (EBT)</b>	<b>\$52</b>	<b>\$65</b>	<b>\$63</b>	<b>\$135</b>	<b>\$187</b>
Taxes	\$1	\$0	(\$6)	(\$47)	(\$62)
Other	(\$0)	\$0	(\$26)	\$0	\$0
<b>Earnings (Reported)</b>	<b>\$53</b>	<b>\$65</b>	<b>\$31</b>	<b>\$88</b>	<b>\$126</b>
<b>Earnings (Adjusted)</b>	<b>\$53</b>	<b>\$65</b>	<b>\$31</b>	<b>\$88</b>	<b>\$126</b>
<b>Weighted Avg Shares O/S (Diluted)</b>	<b>237</b>	<b>244</b>	<b>254</b>	<b>254</b>	<b>254</b>
<b>EPS (Reported), Basic</b>	<b>\$0.27</b>	<b>\$0.32</b>	<b>\$0.15</b>	<b>\$0.42</b>	<b>\$0.60</b>
<b>EPS (Adjusted), Diluted</b>	<b>\$0.22</b>	<b>\$0.27</b>	<b>\$0.12</b>	<b>\$0.35</b>	<b>\$0.49</b>
Gross Operating Margin (%)	68%	68%	69%	67%	65%
EBITDA Margin (%)	58%	57%	55%	65%	64%

Source: Company Reports, Canaccord Genuity estimates

**Figure 8: Cash flow statement**

(C\$M except per share data)

<b>FYE Dec 31</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Earnings (Adjusted)	\$53	\$65	\$31	\$88	\$126
Depreciation	(\$13)	(\$10)	(\$12)	(\$30)	(\$56)
Other	\$27	\$21	\$50	\$61	\$111
Operating Cash Flow	\$67	\$75	\$69	\$119	\$181
Working Capital Changes	(\$3)	\$0	\$0	\$0	\$0
<b>Cash Flow From Operations</b>	<b>\$64</b>	<b>\$75</b>	<b>\$69</b>	<b>\$119</b>	<b>\$181</b>
Capital Expenditures	(\$17)	(\$52)	(\$93)	(\$175)	(\$30)
Other Net Investments	(\$2)	\$0	\$0	\$0	\$0
<b>Cash Flow From Investing Activities</b>	<b>(\$19)</b>	<b>(\$52)</b>	<b>(\$93)</b>	<b>(\$175)</b>	<b>(\$30)</b>
Debt Additions	\$115	\$0	\$35	\$0	\$0
Debt Repayments	(\$115)	\$0	\$0	\$0	(\$150)
Equity Financing	\$0	\$29	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0
Other Net Financing	\$2	\$0	\$0	\$0	\$0
<b>Cash Flow From Financing Activities</b>	<b>\$2</b>	<b>\$29</b>	<b>\$35</b>	<b>\$0</b>	<b>(\$150)</b>
Foreign Exchange Changes	\$0	\$0	\$0	\$0	\$0
<b>Cash Balance, Beginning</b>	<b>\$22</b>	<b>\$69</b>	<b>\$121</b>	<b>\$132</b>	<b>\$76</b>
<b>Net Increase In Cash</b>	<b>\$46</b>	<b>\$52</b>	<b>\$11</b>	<b>(\$56)</b>	<b>\$1</b>
<b>Cash Balance, End</b>	<b>\$69</b>	<b>\$121</b>	<b>\$132</b>	<b>\$76</b>	<b>\$77</b>
Free Cash Flow	\$45	\$23	(\$24)	(\$56)	\$151
Net Free Cash Flow	\$45	\$23	\$11	(\$56)	\$1
Free Cash Flow/ Share	\$0.19	\$0.10	(\$0.09)	(\$0.22)	\$0.59
Net Free Cash Flow /Share	\$0.19	\$0.10	\$0.04	(\$0.22)	\$0.00
Operating Cash Flow (adjusted)	\$67	\$75	\$69	\$119	\$181
<b>CFPS (Adjusted)</b>	<b>\$0.28</b>	<b>\$0.31</b>	<b>\$0.27</b>	<b>\$0.47</b>	<b>\$0.71</b>

**Margins**

Gross Margin (%)	67.8%	67.7%	68.6%	66.8%	64.7%
EBITDA Margin (%)	57.7%	56.7%	55.4%	65.4%	63.7%
OCF Margin (%)	52.7%	49.9%	44.6%	43.5%	46.0%
FCF Margin (%)	35.1%	15.4%	-15.3%	-20.6%	38.3%

**Valuation**

EV/EBITDA	5.3x	4.0x	3.4x	1.7x	1.5x
P/CF	6.5x	5.9x	6.7x	3.9x	2.6x
FCF Yield (%)	17%	9%	NA	NA	56%
ROE (%)	29%	23%	9%	19%	20%
ROIC (%)	24%	25%	9%	18%	27%

Source: Company Reports, Canaccord Genuity estimates

**Figure 9: Balance Sheet**

(C\$M except per share data)

<b>FYE Dec 31</b>	<b>2018E</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Cash & Equivalents	\$69	\$121	\$132	\$76	\$77
Other Current Assets	\$15	\$15	\$15	\$15	\$15
<b>Total Current Assets</b>	<b>\$83</b>	<b>\$135</b>	<b>\$147</b>	<b>\$90</b>	<b>\$92</b>
Long-term Assets	\$227	\$269	\$350	\$494	\$469
<b>Total Assets</b>	<b>\$310</b>	<b>\$404</b>	<b>\$496</b>	<b>\$585</b>	<b>\$560</b>
Current Debt	\$0	\$0	\$0	\$150	\$11
Other Current Liabilities	\$17	\$17	\$17	\$17	\$17
<b>Total Current Liabilities</b>	<b>\$17</b>	<b>\$17</b>	<b>\$17</b>	<b>\$167</b>	<b>\$28</b>
Long-term Debt	\$139	\$139	\$174	\$24	\$0
Other long-term liabilities	\$4	\$4	\$4	\$4	\$4
<b>Total Liabilities</b>	<b>\$161</b>	<b>\$161</b>	<b>\$196</b>	<b>\$196</b>	<b>\$33</b>
Shareholder's Equity	\$150	\$244	\$301	\$389	\$528
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>\$310</b>	<b>\$404</b>	<b>\$496</b>	<b>\$585</b>	<b>\$560</b>
<b>Shares (End of Period), M</b>	<b>194</b>	<b>211</b>	<b>211</b>	<b>211</b>	<b>211</b>
<b>Book Value per Share</b>	<b>\$0.77</b>	<b>\$1.15</b>	<b>\$1.42</b>	<b>\$1.84</b>	<b>\$2.50</b>
<b>Net Debt/NTM EBITDA</b>	<b>0.83x</b>	<b>0.21x</b>	<b>0.23x</b>	<b>0.39x</b>	<b>NA</b>
<b>Net Debt/TTM EBITDA</b>	<b>0.96x</b>	<b>0.21x</b>	<b>0.49x</b>	<b>0.55x</b>	<b>NA</b>

Source: Company Reports, Canaccord Genuity estimates

Figure 10: Previous estimates

FYE Dec 31		2018E	2019E	2020E	2021E	2022E
<b>Production &amp; Costs</b>						
Consolidated (Previous)	Production Au (000 oz)	86	87	87	87	144
	Sales Au (000 oz)	76	87	87	87	144
	Cash Operating Costs (US\$/oz)	\$381	\$420	\$421	\$414	\$484
	Total Cash Costs (US\$/oz)	\$408	\$447	\$449	\$443	\$514
	All-in-sustaining Costs (US\$/oz)	\$544	\$584	\$586	\$531	\$684
% Change (Current vs Previous)	Production Au (000 oz)	0%	0%	0%	72%	46%
	Sales Au (000 oz)	0%	0%	0%	72%	46%
	Cash Operating Costs (US\$/oz)	0%	0%	0%	11%	4%
	Total Cash Costs (US\$/oz)	0%	0%	0%	10%	4%
	All-in-sustaining Costs (US\$/oz)	0%	0%	0%	10%	-3%
<b>Financial Summary (C\$)</b>						
Consolidated (Previous)	EBITDA (\$M)	\$76	\$85	\$86	\$107	\$174
	EPS (Adjusted), Diluted	\$0.29	\$0.35	\$0.31	\$0.29	\$0.46
	CFPS (Adjusted), Diluted	\$0.35	\$0.40	\$0.36	\$0.35	\$0.60
	Total Capex (\$M)	\$17	\$11	\$52	\$112	\$162
	Free Cash Flow (\$M)	\$49	\$69	\$24	(\$37)	(\$35)
	Cash Balance, End	\$61	\$100	\$86	\$49	\$14
% Change (Current vs Previous)	EBITDA (\$M)	0%	0%	0%	67%	44%
	EPS (Adjusted), Diluted	-17%	-24%	-62%	18%	8%
	CFPS (Adjusted), Diluted	-16%	-23%	-25%	32%	18%
	Total Capex (\$M)	0%	378%	79%	56%	-82%
	Free Cash Flow (\$M)	-4%	-66%	-203%	51%	-535%

Source: Company Reports, Canaccord Genuity estimates



Figure 11: NAV Summary

Gold Price (LT), US\$/oz	\$1,553
Silver Price (LT), US\$/oz	\$18.34
US\$/C\$ (LT), US\$/lb	\$0.81
Shares Outstanding (FD, Incl. Financings), 000s	265,474

	5%				% Contribution	
	US\$000	US\$/Share	C\$000	C\$/Share	to Operating NAV	to Consolidated NAV
<b>GOLD/SILVER ASSETS</b>						
<b>Gold/Silver Mines/Advanced Projects</b>						
Moose River Consolidated Operation (100%), Canada	\$913,340	\$3.44	\$1,138,598	\$4.29	102%	109%
<b>Total Gold/Silver NAV</b>	<b>\$891,472</b>	<b>\$3.36</b>	<b>\$1,111,337</b>	<b>\$4.19</b>	<b>100%</b>	<b>106%</b>
<b>TOTAL OPERATING NAV</b>	<b>\$891,472</b>	<b>\$3.36</b>	<b>\$1,111,337</b>	<b>\$4.19</b>	<b>100%</b>	<b>106%</b>
<b>CORPORATE ADJUSTMENTS/OTHER</b>						
Corporate G&A	(\$9,585)	(\$0.04)	(\$11,949)	(\$0.05)		-1%
Working Capital (Basic)	\$52,915	\$0.20	\$65,966	\$0.25		6%
Long Term Debt	(\$111,500)	(\$0.42)	(\$139,000)	(\$0.52)		-13%
Value of Dilutive Instruments (Options & Warrants)	\$15,436	\$0.06	\$19,243	\$0.07		2%
<b>Total Corporate Adjustments/Other</b>	<b>(\$52,733)</b>	<b>(\$0.20)</b>	<b>(\$65,739)</b>	<b>(\$0.25)</b>		<b>-6%</b>
<b>TOTAL NAV</b>	<b>\$838,739</b>	<b>\$3.16</b>	<b>\$1,045,598</b>	<b>\$3.94</b>		<b>100%</b>

Source: Company Reports, Canaccord Genuity estimates

**Figure 12: Asset Summary - Moose River Consolidated****Moose River Consolidated Operation (100%), Canada**

Type: Open-Pit

Location: Nova Scotia, Canada

Status: Producing

	2018 Guidance	CG Estimates
Production (koz Au)	82 - 90	87
Cash costs (US\$/oz)	\$400 - \$448	\$423
AISC (US\$/oz)	\$540 - \$588	\$559

● Recently released Expansion PFS provides significant boost to scale and mine life at MRC. The study highlights a plant expansion to 6 Mtpa (vs approx 2 Mtpa currently) and production ramping up to over 200,000 oz

● Open-Pit mines are owner operated with a CG modelled blended strip ratio of 2.69:1

**Geology and Mineralization**

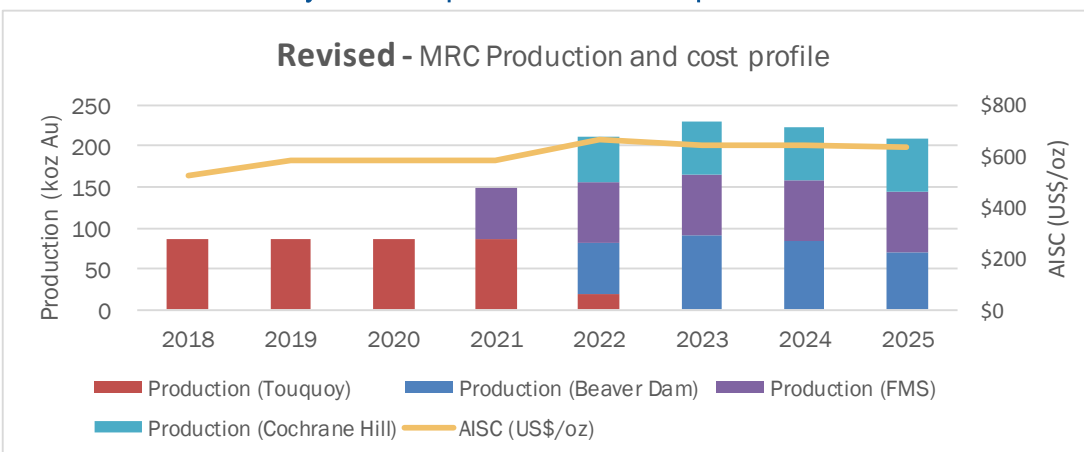
Gold mineralization at Beaver Dam is found both within quartz veins and within the argillite and greywacke host rocks. At Touquoy, mineralization is predominantly disseminated in the host argillites rather than associated with quartz veining.

**Reserves and Resources**

	Tonnes (Mt)	Grade (g/t)	Ounces (Moz)
2P reserves	38.41	1.28	1.58
Measured, Indicated and Inferred (incl. of reserves)	52.30	1.32	2.22
CG Mineable resource estimate, LoM	61.90	1.26	2.50

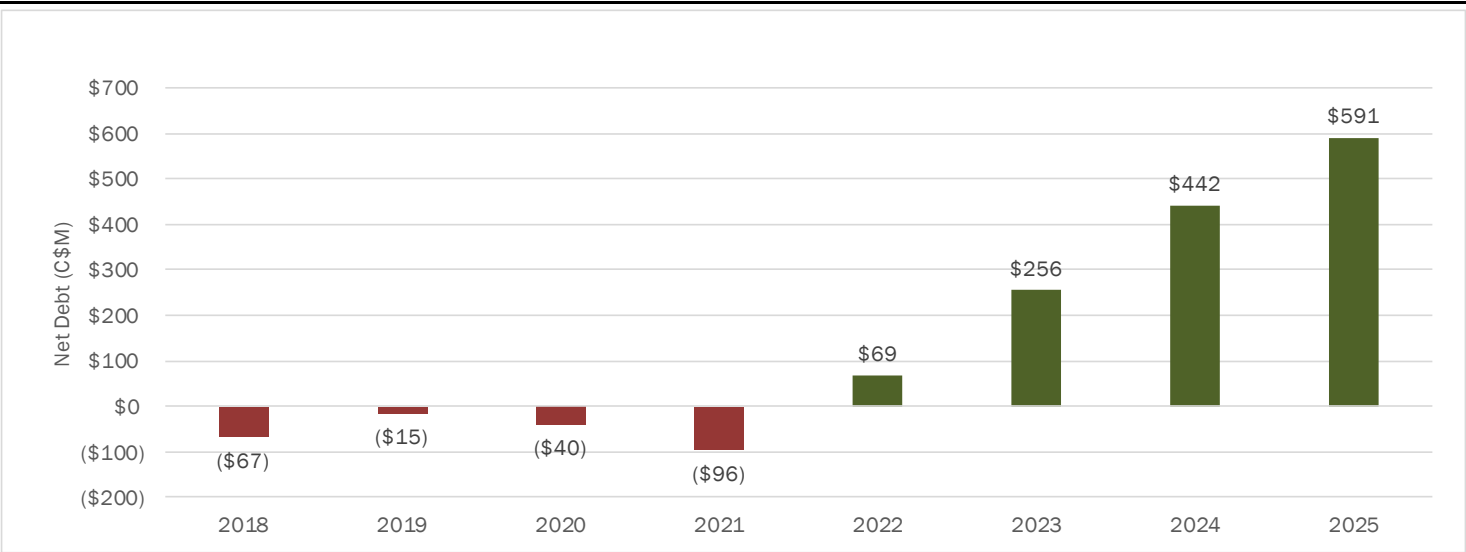
**Expansion Case PEA vs CG estimates**

	PEA	CG Estimates
Production, LoM (koz Au)	1,460	2,313
Mining cost, LoM (C\$/t)	\$2.40	\$2.27
G&A, LoM (C\$/t)	\$1.90	\$2.80
Processing cost, LoM (C\$/t)	\$8.90	\$9.16
Cash costs, LoM (US\$/oz)	\$516	\$479
AISC, LoM (US\$/oz)	\$555	\$612
Mine Life (years)	10	18
Sust. Capital, LoM (US\$M)	\$57	\$220
Avg Sust. Capital (US\$M/yr)	\$5.7	\$12.2
Growth CapEx, LoM (US\$M)	\$208	\$258

**MRC - Canaccord Genuity modelled production and cost profile**

Source: Company Reports, Canaccord Genuity estimates

Figure 13: Net Cash Profile



Source: Company Reports, Canaccord Genuity estimates

# Appendix: Important Disclosures

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## Investment Recommendation

Date and time of first dissemination: July 16, 2018, 04:30 ET

Date and time of production: July 16, 2018, 00:45 ET

## Target Price / Valuation Methodology:

Atlantic Gold Corporation - AGB

Our target price of C\$3.50 is based on 0.95x our operating NAVPS estimate plus net working capital and other corporate adjustments.

## Risks to achieving Target Price / Valuation:

Atlantic Gold Corporation - AGB

The price of gold is Atlantic Gold's primary risk. In addition, key risks to our target price and/or recommendation include ramp-up risks as the MRC operation ramps up. Our valuation also incorporates the Phase 2 expansion at MRC - actual economics could be weaker than our forecasts (considering the potential for capital/cost escalation) and could have an adverse impact on our valuation and/or recommendation.

## Distribution of Ratings:

### Global Stock Ratings (as of 07/16/18)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	570	61.56%	43.16%
Hold	228	24.62%	27.63%
Sell	22	2.38%	18.18%
Speculative Buy	106	11.45%	66.04%
	926*	100.0%	

\*Total includes stocks that are Under Review

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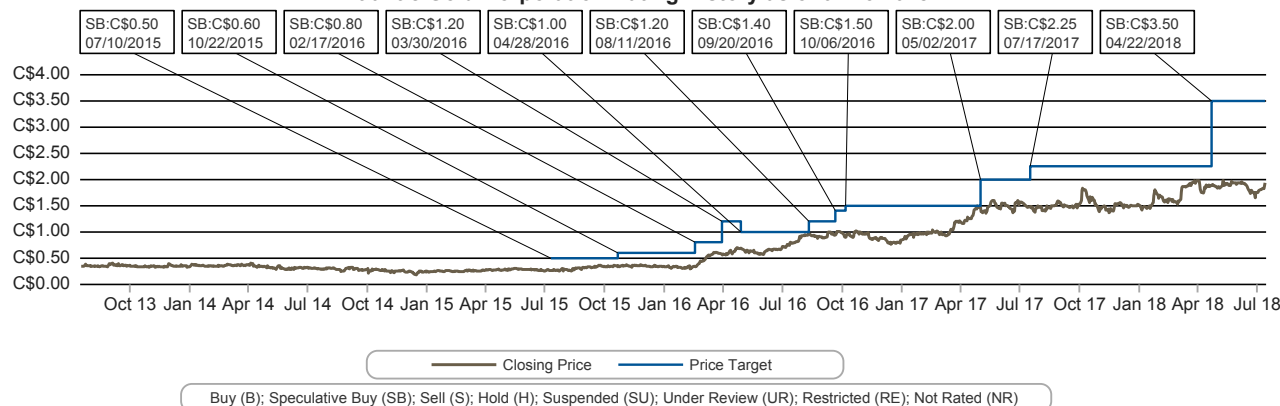
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Atlantic Gold Corporation Rating History as of 07/13/2018



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