Atlantic Gold:

Constructing MRC Is Just the Start of This Growth Story

Touquoy project; Steel structure for grinding building

1. Introduction

Sometimes companies continue to fly under the radar of the big audience, despite having done almost everything right in the past few years, except maybe being too prudent on marketing. One of those companies is Atlantic Gold (AGB.V), which is currently building its Moose River gold mine in Nova Scotia, a mining friendly jurisdiction in Canada (#17 out of 109 according to the 2015/2016 Fraser Survey of Mining Companies). However, this junior isn't completely unknown to the mining investment community, guys like Rick Rule recognized the potential early, and invested heavily together with other powerful backers, when the share price was much lower.

Construction activities are entering the final phase which will allow Atlantic Gold to start commissioning the mine before the end of this year, which has an anticipated all-in sustaining cost of just C$690 per ounce of gold, which is very close to, if not (in the Western hemisphere) industry-leading. As Atlantic

Gold currently trades close to NAV, there is room for further appreciation as I will discuss further on in this article.

All presented tables are my own material, unless stated otherwise.

All pictures are company material, unless stated otherwise.

All currencies are in US Dollars, unless stated otherwise.

2. Company

Atlantic Gold is a gold developer in Nova Scotia, Canada, has been around for quite a while, and is now nearing the apotheosis of its existence: bringing its first gold project into production. The Moose River Consolidated (MRC) gold project should be commissioned at the end of Q3 2017, with commercial production to start shortly thereafter in Q1 2018.

Atlantic's management team is very experienced with Steven Dean as Chairman and CEO. Dean has a very rich history in the mining sector as he has been the CEO of Teck Cominco and founder of Normandy Mining and also Amerigo Resources. Newmont bought out Normandy for A$4.4B in 2002, as Normandy was the largest Australian gold producer (and a substantial base metal producer too) at the time. Although he wasn't responsible for the final growth stage of Normandy, it is safe to say that Dean knows what it takes to create a substantial company. He is determined, as he told me, to build another mid tier producer by organic development and acquisitions, like Endeavour Mining, Oceana Gold or B2Gold for example, which are sporting hefty market caps at the moment (C$2.5B, C$2.5B and C$4.1B). There are several (historic) deposits within trucking distance of Touquoy, so I'm curious how long it will take for news coming out in that regard.

After Atlantic Gold was created through a merger and an acquisition, Dean took the helm after being a Chairman of predecessor Spur Ventures.

Management and Board of Directors consist of numerous other very experienced people like COO Maryse Belanger, former VP Technical Services at Goldcorp, director and vice Chairman Robert Atkinson, former President and CEO of Loewen Ondaatje McCutcheon, several very experienced geologists, and last but not least director Ryan Beedie, the largest shareholder of Atlantic and a very successful real estate developer in British Columbia, Canada.

The company currently has 173.3M shares outstanding, which results in a market cap of C$176.77M at a share price of C$1.02. The fully diluted share count is almost 231M shares, and the warrants, options and convertible debentures are all in the money at the moment. It looks like Atlantic Gold will be fully funded until the start of the commercial production phase, but it would be nice if some of the 23.1M warrants (priced at C$0.60) would be exercised throughout 2017 to add some more working capital to the treasury as approximately C$9M of the C$26M cash position consists of flow-through funds, which cannot be used to fund construction activities. An additional 3M options expiring in 2017 are in the money as well, and this would result in a cash inflow of C$1.34M.

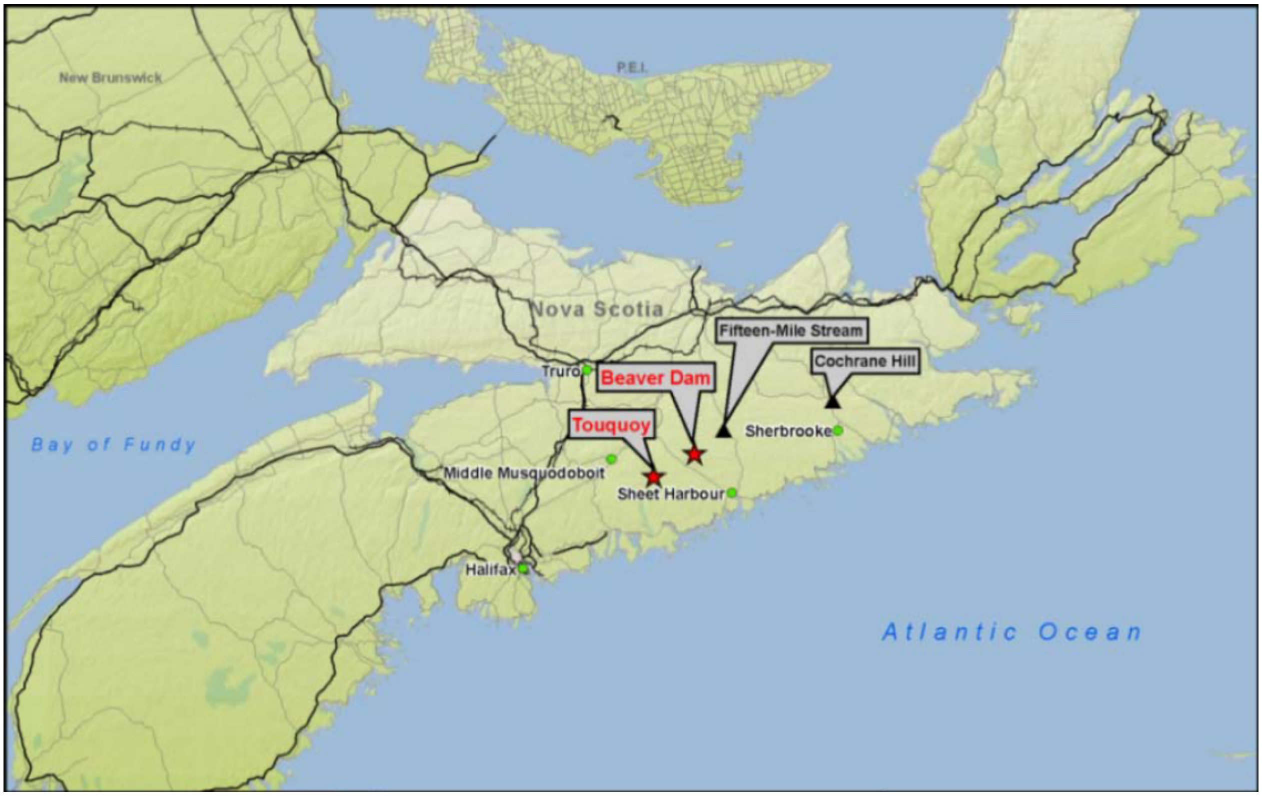
The management team, together with insiders and associates, owns approximately 35% of the outstanding shares which is rather unique when your name isn't Ross Beaty or Robert Friedland, whereas the total amount of stock held by institutional investors is approximately 37%.

Share price; 1 year time frame

The share price did exactly what you would expect on higher gold, as the markets rewarded the company with a higher share price upon completing the financing, plus locking in the required hedges, and further derisking of MRC. As the gold price started to lose momentum after the summer, Atlantic's share price came under pressure, but was able to hold most of its gains, probably also because of the substantial hedge book.

3. Projects

Atlantic's flagship project Moose River consists of two different mineralized zones, Touquoy and Beaver Dam. Atlantic achieved full ownership of the Beaver Dam project through the acquisition of Acadian Mining in 2014. Acadian held the rights to Beaver Dam and Fifteen Mile Stream projects which were located respectively 22 (37km by road) kilometers and 37 km from Atlantic's own Touquoy gold project. This was a pretty cheap acquisition, as Atlantic Gold paid C$4M in cash and issued 8.9M shares (for a value of C$2.7M at the time) to own these two projects which host a total of almost 900 koz of gold on a combined basis.



Moose River Project; Nova Scotia

With a total resource estimate of almost 440koz of gold at an average grade of in excess of 1.5 g/t (using a cut-off grade of 0.5 g/t), Beaver Dam was an excellent bolt-on acquisition for the Touquoy project, as the additional ounces added a lot of value to the Touquoy project which appeared to be a bit too small to be developed on a standalone basis.

Indeed, the true added value of Beaver Dam became very clear when the feasibility study was released in the summer of last year, confirming that 44% of the total amount of ounces in the reserve estimate would be sourced from Beaver Dam (I will discuss the results of the feasibility study in greater detail later in this article).

Touquoy

Touquoy is located approximately 60 kilometers northeast of Halifax, and can be reached via sealed roads over a distance of approximately 100 kilometers. Contrary to what you might think, Nova Scotia actually has a history of gold mining, and the Moose River Gold mines (whereto the Touquoy zone belonged) started to produce gold as early as 1877.

The historical data probably isn't complete, but according to the available records, a limited total of 21,500 ounces of gold have been recovered from small underground operations, as artisanal miners mined the quartz veins. Since a broadly mediatized and publicized collapse of an underground zone in 1936, no mining has occurred, and the mine site wasn't touched until the mid-80's when Seabright Explorations drilled in excess of 100 holes. This didn't evolve into reopening the mine, and several other operators continued the exploration activities on Touquoy and the greater Moose River region (Novagold (NG.TO) probably was the most famous operator of the property).

Touquoy Mine site; aerial

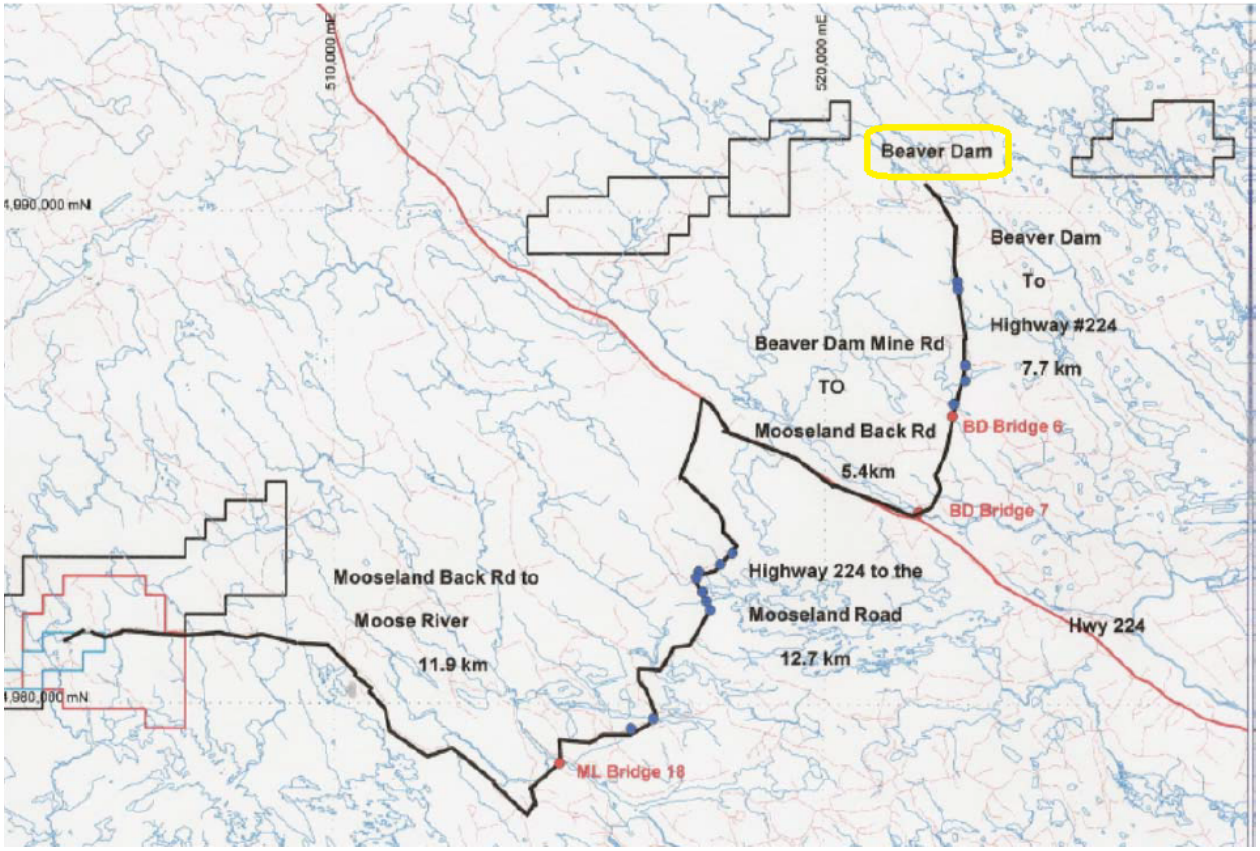
Atlantic Gold first started to earn an interest in the property in 2003, but it was only in 2013-2014 everything accelerated, as the project was fast-tracked towards a production decision as the total resource estimate of 557koz of gold was boosted by the acquisition of the nearby Beaver Dam zone.

Atlantic Gold has an effective interest of 63.5% (of which 60% direct) in Touquoy (with the remaining interest belonging to a private partner), and will be allowed to recoup all sunk costs and overhead expenses before making any distributions to the private partner (in which it owns an 8.7% direct economic interest as well).

Beaver Dam

Even though the Beaver Dam project has been discovered in 1868, the historic production records are pretty much non-existing, and it's only when Seabright Resources (apparently a different company from Seabright Exploration) optioned some claims in the mid-80's that some exploration work was done.

Seabright completed in excess of 40,000m of drilling, and actually processed 135,000 tonnes of material (at an average grade of 1.85 g/t). Unfortunately the project was put on the backburner later on, and even Acadian Mining didn't do too much except for a few drill holes in the 2000's before Atlantic Gold took control of Beaver Dam.



Beaver Dam/Touquoy; Infrastructure

The combination of both Beaver Dam and the Touquoy Zone is a typical example of why 1+1 sometimes equals 3 in the mining sector. Both projects were/are too small to be operated as standalone mines, but being able to source ore from both projects and process it at a centralized mill is definitely value-adding. That being said, the permitting process at Beaver Dam will take until mid 2017 according to the presentation, so it's very likely the Cochrane project will be the next in line (assuming a positive outcome of the integrated updated feasibility study which is expected in Q3 2017), as Atlantic's management thinks it will be able to secure all necessary permits for Cochrane Hill in the next two years.

Cochrane Hill

The Cochrane Hill project is located approximately 80 kilometers from the Touquoy project, and 210 kilometers from Halifax. The property is easily reachable through Highways 107 and 7 which are located just 13 kilometers away from the mine gate.

Just like Atlantic's two other projects, gold mineralization at Cochrane Hill was discovered in the second half of the 19th century with first documented gold production starting in 1877 after a shaft was sunk a hundred meters deep. There isn't a lot of data readily available, but public documents show a total gold production of 1,357 oz of gold from the treatment of just over 12,000 tonnes.

Cochrane Hill; old workings

The property has been the subject of a sufficient amount of drilling to complete a NI43-101 compliant resource estimate, and Cochrane Hill contains 251 koz of gold in the Indicated category at an average grade of 1.8 g/t gold, and an additional 298 koz Inferred at an average grade of 1.6 g/t gold.

Again, a very nice resource estimate but not necessarily enough to build a standalone operation around these resources. Back in 2014, Atlantic Gold completed a Preliminary Economic Analysis (PEA) that incorporated the Cochrane resources were incorporated in a production model combined with the Touquoy project.

The trucking distance is quite a bit longer (80 kilometers versus less than 40 kilometers of Beaver Dam), but the higher average grade will very likely compensate for the higher transportation expenses.

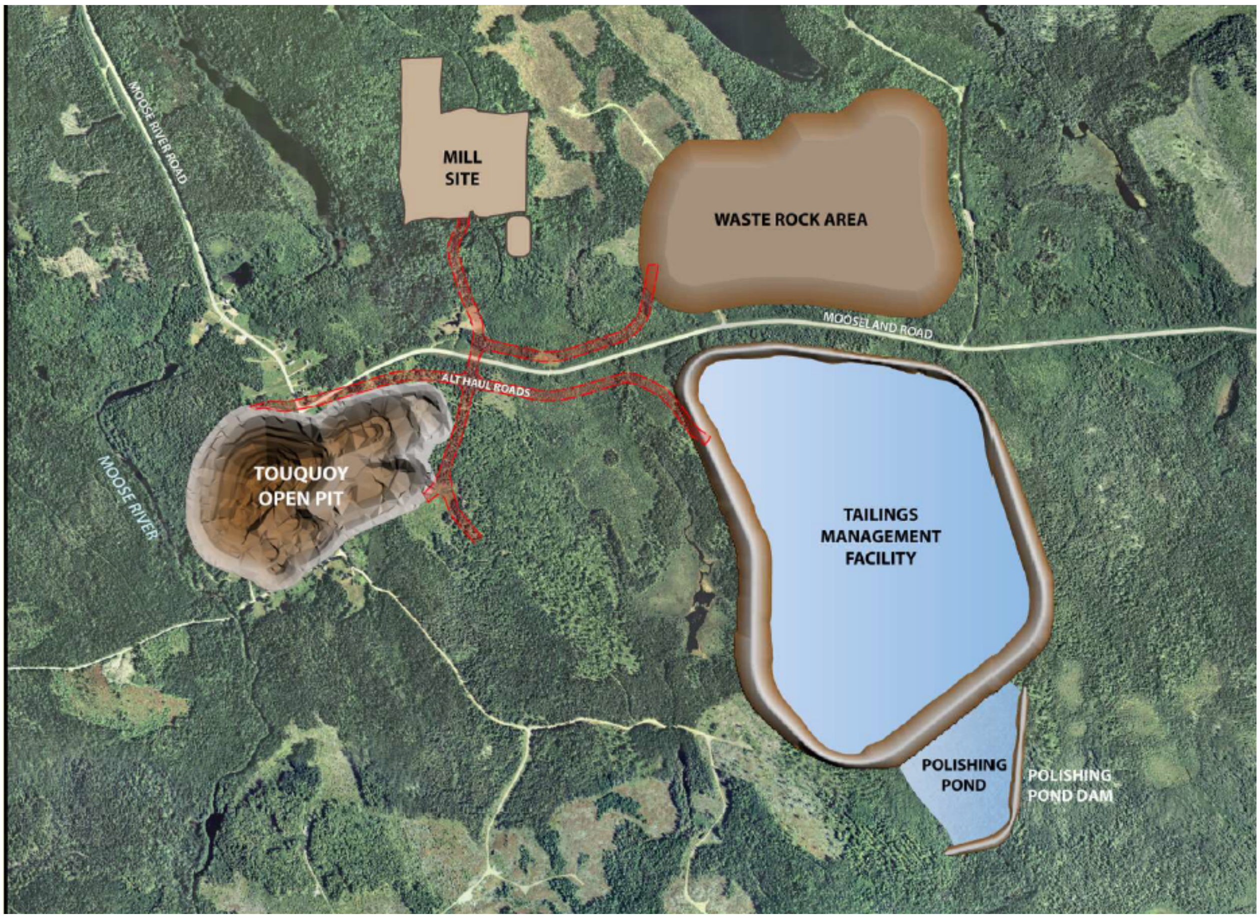
Fifteen Mile Stream

The Fifteen Mile Stream zone is located approximately 40 kilometers to the northeast of Touquoy, and is fully owned by Atlantic Gold. The project currently hosts an Inferred resource estimate containing almost 600 koz of open-pittable gold at an average grade of 1.55 g/t.

This is just an Inferred resource estimate but Atlantic is currently completing a substantial drill program at Fifteen Mile, which should allow it to convert a substantial part of the Inferred resource to a more reliable resource category. Once some Measured and Indicated resources could be defined, there's no reason why the Fifteen Mile project couldn't be a bolt-on addition to the current mine plan, enhancing economics. That's exactly what the upcoming updated Feasibility Study (FS, expected in Q3 2017) plans to accomplish, more on this later.

4. Feasibility Study

As mentioned, all pieces of the puzzle were falling in the right place in 2014, and Atlantic Gold was able to start a FS immediately after acquiring the Beaver Dam project. This study was based on the existing resource estimates at both Touquoy and Beaver Dam, with all processed ore to be sourced from the Touquoy open pit until the fifth year of the mine life.



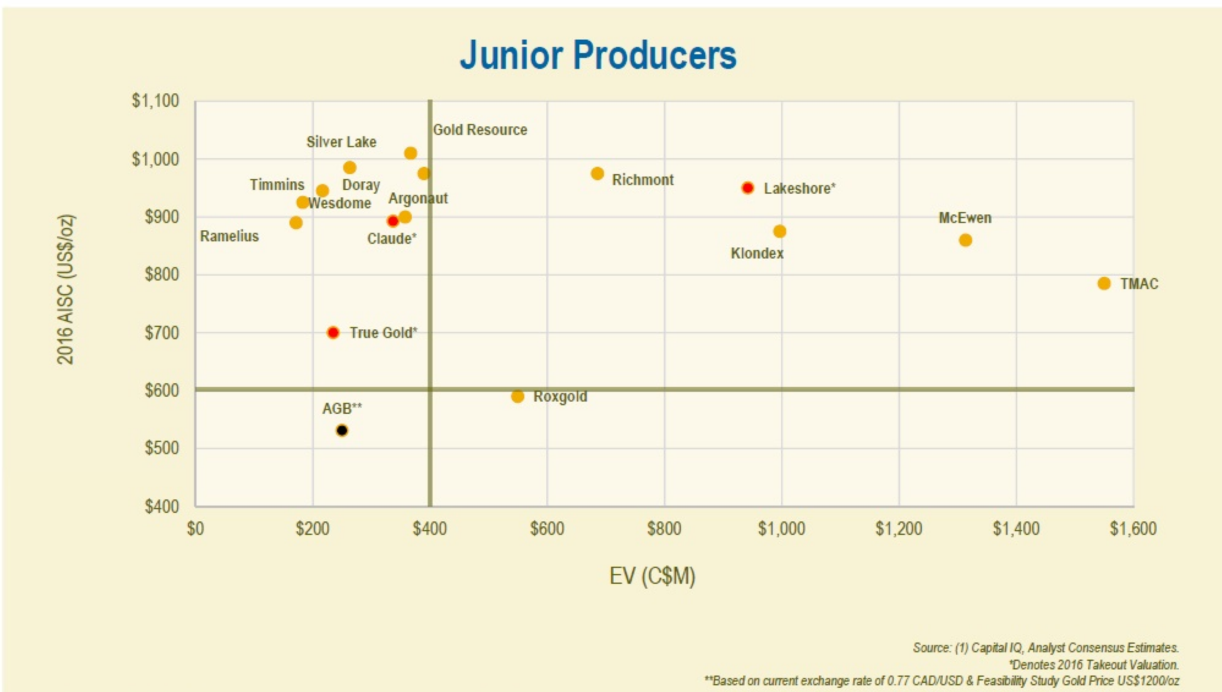
Mine Plan Touquoy/Beaver Dam

This should give Atlantic Gold enough time to complete the permitting process to mine and process ore from the Beaver Dam zone. The Beaver Dam startup is anticipated in the fifth year of the operations, and from the sixth year on, all ore will be sourced from Beaver Dam.

The flow sheet to process the ore is actually really straightforward. It is a very conventional crushing-grinding-CIL circuit with an additional intermediate step to recover some of the gold through gravity (80% of the gold is actually recovered by gravity concentration). The metallurgy is really simple, and the average recovery rate is estimated at 94%.

Atlantic's management knew the plant would have to treat ore from different sources (as the ore at Cochrane Hill and the Fifteen Mile Stream project could also be treated at this plant, even though these two ore zones have not specifically been included in the mine plan of the FS), it asked its engineers to design a robust plant that would be able to handle the variability in ore (the ore at Beaver Dam is harder than the Touquoy ore, which will very likely result in an increased importance of the crushing and grinding stage of the production process) with a nameplate capacity of 2M tonnes per year (5,500 tonnes per day or tpd).

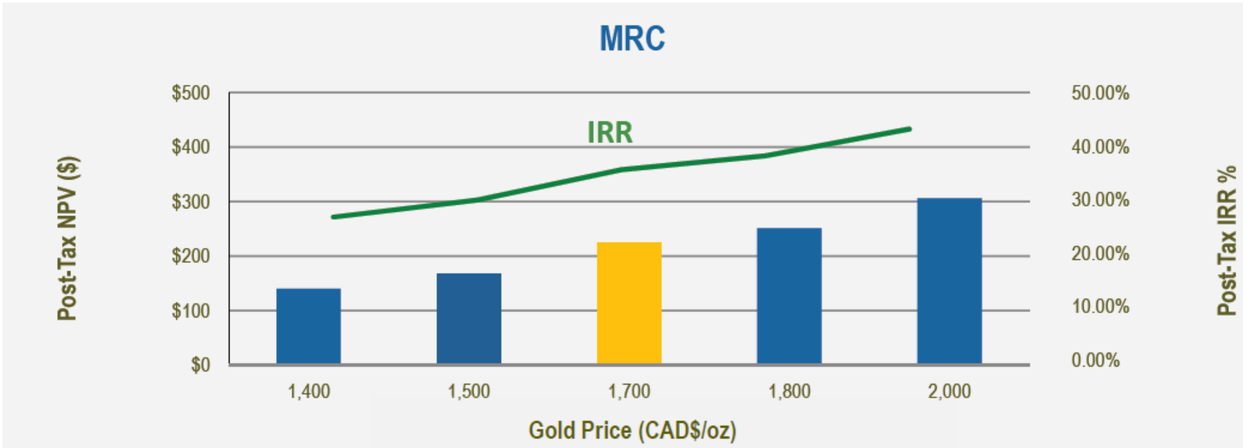
The initial capital expenditures are estimated at C$137M (with an additional C$18M earmarked to open the Beaver Dam mine in Y5), of which the majority will be spent on the 2Mtpa processing plant as the mining fleet will be leased. With an AISC of less than C$700 per produced ounce of gold and a current gold price of approximately C$1600/oz, the net margin is approximately C$900/oz, which makes this one of the highest-margin gold projects in the civilized world.



Junior Producers; AISC vs EV

Atlantic Gold currently has exposure to 63.5% of the Touquoy project, but has the option to acquire 100% of the property based on the fair market value after the first 18 months or 3M tonnes have been processed.

As mentioned before, the Touquoy production stage will be the cheapest, as Atlantic Gold thinks it will be able to mine and process the ore at a total of C$20.9/t (this includes the G&A expenses), whereas the production cost per tonne at Beaver Dam will be quite a bit higher at C$34.6/t. The higher operating cost at Beaver Dam is predominantly caused by a higher power cost and operating consumables (due to the harder ore), but also includes a transportation cost of C$3.5 per tonne of crushed ore, as the Beaver Dam rock will be trucked to the processing plant, located at Touquoy.



Beaver Dam; Sensitivity analysis

Due to the low operating cost at Touquoy, the operating margins will also be substantially higher. Using a gold price of C$1500/oz (= US$1130/oz), the net cash inflow in those first two years is estimated at C$161M as just 170 koz of gold will be recovered. The tax payments would only start in the third year of the operations and as the sunk capital expenses will have been recouped in that year, the payments to the private co-owner of the project will start as well.

Even after deducting the interest expenses, Atlantic Gold should have plenty of cash on hand to fund the sub-C$20M capex to build Beaver Dam. In fact, the year after Beaver Dam has been built, I would expect Atlantic Gold to have a net cash position of approximately C$60-70M (or almost C$0.30/share using the fully diluted share count), allowing the company to pursue other interests to improve its development pipeline (perhaps NS Gold's Mooseland project could be an attractive addition due to its proximity and the high average grade of the underground project, and Osprey Gold is another junior operating nearby).

At C$1600 gold, about the current gold price, the post-tax NPV5 of the project is estimated at C$196M, whereas the post-tax IRR is a very robust 32.9%. Remember, this is just for Touquoy and Beaver Dam.

5. Financing package Touquoy Project

These days financiers are focusing on payback periods rather than huge NPV's. This was one of the reasons why Atlantic Gold was able to quickly secure funding for its project in a bear market, as a post-tax IRR of 30% and a payback period of less than 2 years is very appealing to lenders. Obviously CEO Dean and his team, and the specific risk strategy they used, helped as well of course.

Unfortunately the debt package was negotiated right before the gold price started to move again, but it absolutely is a very fair deal, undoubtedly helped by the very low production cost. Macquarie Bank was the arranger and underwriter of a C$115M project loan financing that will be repayable in 12 quarterly installments starting at the end of 2017 (although I would expect the starting date to be pushed back by a few quarters should commercial production not have been reached by then). An additional C$20M was sourced from Caterpillar, which provided an equipment financing.

As part of the financing, Atlantic Gold was required to hedge 215 koz of gold at a minimum price of C$1500/oz. As the company was allowed some flexibility as to when the hedging deal would have to be completed, the company entered into five separate hedging transactions, and was able to secure an average weighted gold price of C$1633/oz for the hedged portion of its production. That's an additional revenue of in excess of C$28M on top of the base case scenario using C$1500 gold, which emphasizes the estimated NPV of C$168M might very well be underestimated (providing the gold price doesn't fall below the C$1500 mark during the mine life).

Date of announcement	Amount koz Au	Hedge price C$/oz Au
May 3	100	1619
May 13	25	1627
May 16	25	1640
June 6	30	1591
June 27	35	1710
Total	215	1633

On top of the commercial funding, Atlantic Gold also issued a C$13M convertible debenture and had to raise C$25M+ in hard equity. The debenture can be converted into common stock at a conversion price of C$0.60, so the debenture is in the money and will very likely not have to be repaid in cash (and 21.7M shares will be issued to settle the debenture).

6. Catalysts, Economics and Valuation

The FS was based on a combination of the Touquoy and Beaver Dam zones, but there's little doubt only the first phase of this plan (Touquoy) will be executed as planned, as management is determined to integrate as many satellite deposits as possible.

In September, probably the last opportunistic moment to raise cash, Atlantic Gold was able to raise C$9.2M in flow-through financing, which will have to be spent on exploration-related activities. Atlantic Gold will very likely spend the entire amount on a resource definition program at both Cochrane Hill and Fifteen Mile Stream, where it has planned a substantial 44,000m, 340 hole drill program. This will lead to an updated resource estimate on both properties before this summer.

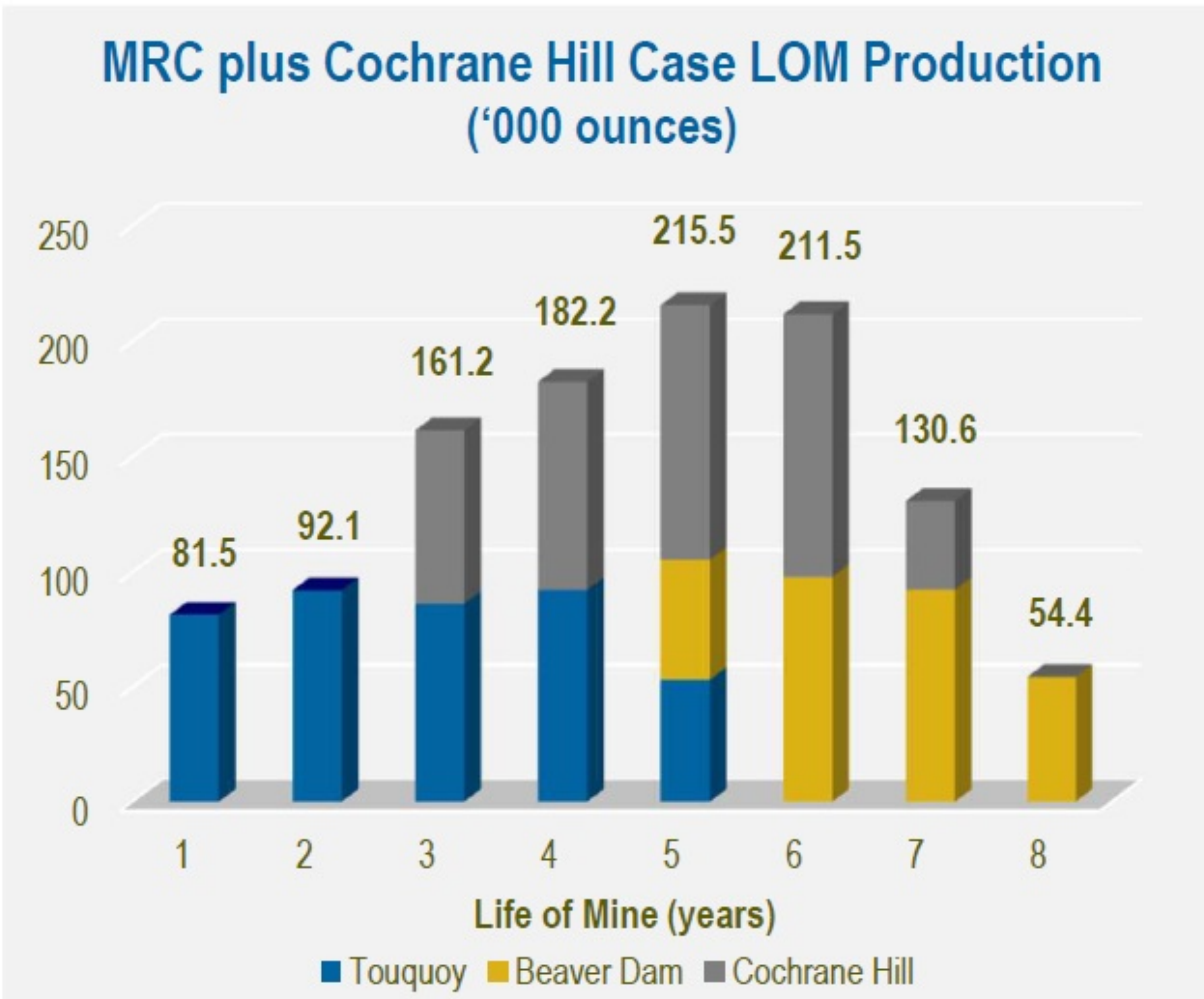
These resource updates will then be the basis for an updated FS for the MRC project, which will then take mining from not just one (Beaver Dam) but three satellite deposits into consideration. And the impact of doing so could be significant.

	Category	Tonnes (millions)	Grade (g/t) Au	Contained Au (oz)
COCHRANE HILL*				
	Indicated Resource	4.5	1.8	251,000
	Inferred Resource	5.6	1.6	298,000
FIFTEEN MILE STREAM*				
	Inferred Resource	11.72	1.55	584,000

Right now, the mine life is based on the recovery of just over 700 koz of gold, taking Touquoy and Beaver Dam into account as mentioned. The Cochrane Hill project (550 koz Au) and Fifteen Mile Stream (584 koz

Au) could increase this amount considerably. During the current comprehensive (and successful) drill programs, it will be very important for Atlantic Gold to increase the total amount of gold in the measured and indicated categories, and I think it's not unlikely to see in excess of 800 koz Au (M&I) in the upcoming resource updates, as the company already used over 400koz Au of Cochrane Hill in the PEA, and a lot of drilling (step out and infill) is planned for Fifteen Mile Stream. This would increase the total amount of gold produced during the mine life by 116%, and add a lot of value to the Net Present Value.

In fact, a 2014 PEA already discussed the potential to process the Cochrane Hill ore in a Touquoy-Beaver Dam production scenario.



According to this PEA, an additional value of in excess of C$80M would be created on a post-tax basis (using C$1500 gold), despite a start-up cost of C$108M for Cochrane Hill (although the recent depreciation of the Canadian Dollar might push the capex below C$100M). When I would add another 400koz of Fifteen Mile Stream, and blend this in from year 7 onwards, assuming no change in costs as FX effects (CAD:USD went from 0.9 to 0.76 at the moment) probably aren't outweighed by added trucking costs, permitting is finished by then as there will be no milling, processing or tailing ponds needed outside (already fully permitted) Touquoy, the NPV5 could look like this:

Atlantic Gold	Gold $/oz	1200	AISC LOM $/oz	518,00			
Updated FS MRC							
year	Production AuEq oz	all in cc	CF	corp.tax	after tax	disc 5%	NPV
0	0	0	-131000000		-131000000	1,00	-131000000
1	81500	450	61125000	0,0%	61125000	1,05	53902116
2	92100	450	69075000	0,0%	69075000	1,13	56400647
3	161200	630	91884000	30,0%	64318800	1,22	48626988
4	182200	620	105676000	35,0%	68689400	1,32	48084533
5	215500	530	144385000	35,0%	93850250	1,43	60831336
6	211500	550	137475000	35,0%	89358750	1,54	53629686
7	210000	510	144900000	35,0%	94185000	1,67	52339088
8	210000	530	140700000	35,0%	91455000	1,80	50822013
9	130000	510	89700000	35,0%	58305000	1,94	30000359
10	50000	380	41000000	35,0%	26650000	2,10	12696795
Total	1544000		894920000		586012200		336333562

I consider a hypothetical post-tax NPV5 of $336M a very significant improvement regarding the current FS. In Canadian dollars this would be C$442M, compared to the current market cap of $177M the possible upside is clear. If management succeeds in adding this amount of ounces this year, a rerating is imminent. As mentioned earlier, projects with a high margin often receive premiums as they are considered safe havens in case metal prices might go down in the future. I created the following table to give this some color, but unfortunately my examples didn't provide clean cut evidence for this. Luckily, high profile developers like Premier, Pretium, Red Eagle and TMAC do stand out for P/NAV ratios, so not all is lost here:

Gold Developers																
Ticker	Company	PPS	O/S	Marketcap	Working Cap.	EV	Jurisdiction	Flagship project	Stage	R&R Au	R&R AuEq	NAV (NPV5)	NAV (NPV5)	P/NAV	EV/oz	EV/oz
		C$	MM	C$ MM	C$ MM	C$ MM				Moz	Moz	1200 $ MM	1200 C$ MM	C$	Au $	AuEq $
AGB.V	Atlantic Gold	1,02	173,3	176,77	15,00	161,77	Nova Scotia, Can	MRC	Construction	2,2	2,2	336	442	0,40	73,53	73,53
AMM.V	Almaden Minerals	1,58	87,53	136,84	11,84	123,68	Mexico	Ixtaca	PEA	2	3,7	212	279	0,49	61,84	33,43
CNL.TO	Continental Gold	5,53	141,63	785,53	38,16	744,74	Colombia	Buritica	FS, permitted	9,1	9,7	898	1182	0,66	81,84	76,78
DNA.TO	Dalradian Resources	1,39	243,35	339,47	39,47	296,05	Northern Ireland	Curraghinalt	FS	4,4	4,4	303	399	0,85	67,28	67,28
MAX.TO	Midas Gold	0,93	180	168,42	48,68	140,79	Idaho, US	Stibnite	PFS	6,5	7,2	518	682	0,25	21,66	19,55
PG.TO	Premier Gold Mines	3,21	201,47	648,68	85,53	659,21	Ontario/Nevada/Mexico	Hardrock	FS/Production	7,2	7,3	485	638	1,02	91,56	90,30
PVG.TO	Pretium Resources	14,81	180,11	2669,74	153,95	2973,68	British Columbia, Can	Brucejack	Construction	49	63,3	1953	2570	1,04	60,69	46,98
R.TO	Red Eagle Mining	0,86	241,52	207,71	19,00	188,71	Colombia	Santa Rosa	Construction	0,48	0,48	92	121	1,72	393,14	393,14
TMR.TO	TMAC	16,87	83,59	1410,00	108,00	1302,00	Nunavut, Can	Hope Bay	Construction	5,9	5,9	536	705	2,00	220,68	220,68
VIT.TO	Victoria Gold	0,62	504,3	313,16	55,26	250,00	Yukon, Can	Eagle	FS, permitted	2,7	2,7	504	663	0,47	92,59	92,59

I must say Red Eagle and TMAC not only have very high P/NAV ratios, but their EV/oz ratios are extremely high, although not really important as a metric for very advanced developers. I know both projects have exploration upside, and TMAC has a lot of institutional shareholders, but not the very high margins of Red Eagle for example, so I'm a bit puzzled with especially TMAC's valuation. Besides all this, I created another table to have a look at the upcoming stage of Atlantic Gold, and this is the stage of a junior producer. For this category there is only one metric really important, and that is the P/CF ratio. I assumed the conservative 2 deposit 2015 FS scenario this time, the more cash flow the lower the ratio gets:

Gold Junior Producers																
Ticker	Company	PPS	O/S	Marketcap	Working Cap.	EV	Jurisdiction	Annual prod. 2016	Annual prod. 2017	2016 CF PS	2017 CF PS	P/CF 2016E	P/CF 2017E	EV/CF	EV/CF
		C$	MM	C$ MM	C$ MM	C$ MM		koz Au	koz Au	C$	C$			2016E	2017E
ASR.TO	Alacer Gold	3	292,1	876,30	353,95	523,68	Turkey	119	170	0,18	0,38	16,3	7,9	9,7	4,70
AR.TO	Argonaut Gold	2,64	158,2	417,65	132,37	286,32	Ontario/Mexico	117	122,5	0,30	0,36	8,7	7,4	6,0	5,09
DPM.TO	Dundee Precious Metals	3,94	178,4	702,90	43,42	623,68	Bulgaria/Namibia	140	143	0,55	0,61	7,1	6,5	6,3	5,78
GSC.TO	Golden Star Resources	1,25	366,7	458,38	-77,63	658,16	Ghana	194	267,5	0,05	0,18	23,8	6,8	34,1	9,74
MND.TO	Mandalay Resources	0,79	451,2	357,89	64,47	336,84	Mexico/Sweden/Chile	146	146	0,16	0,16	4,9	4,9	4,7	4,67
P.TO	Primero Mining	1,02	189,5	193,29	1,18	274,08	Ontario/Mexico	176	TBD	0,12	0,12	8,6	8,6	12,2	12,21
RIC.TO	Richmont Mines	12,19	63	767,97	67,24	709,87	Ontario/Quebec	100	110	0,80	1,09	15,2	11,2	14,0	10,32
TMM.TO	Timmins Gold Corp	0,5	355,6	177,80	29,34	148,95	Mexico	103	72,5	0,17	0,07	2,9	7,6	2,4	6,37
WDO.TO	Wesdome Gold Mines	3,79	130,3	493,84	19,21	476,05	Ontario/Quebec	55	TBD	0,16	0,25	24,0	15,2	23,1	14,61
Ticker	Company	PPS	O/S	Marketcap	Working Cap.	EV	Jurisdiction	Annual prod. 2018	Annual prod. 2019	2018 CF PS	2019 CF PS	P/CF 2018E	P/CF 2019E	EV/CF	EV/CF
		C$	MM	C$ MM	C$ MM	C$ MM		koz Au	koz Au	C$	C$			2018E	2019E
AGB.V	Atlantic Gold	1,02	173,3	176,77	15,00	161,77	Nova Scotia, Can	73,5	96,2	0,29	0,38	3,5	2,7	3,2	2,46

As can be seen, the company would have a very low P/CF ratio if it would add more ounces adding satellite deposits, so potential for a re-rating is even more clear here in my view. Considering the mining friendly jurisdiction and the high margin/low risk character of MRC, I don't think a P/CF ratio of 7.5 is unrealistic at the time of commercial production, which would mean a possible 150-200% increase from current levels.

Therefore, a positive updated resource estimate and updated FS will probably be the main catalysts for Atlantic Gold in 2017, besides the price of gold of course as a main driver for any gold junior.

7. Conclusion

Atlantic Gold hasn't wasted any time since the company was able to secure the ownership of the Beaver Dam project from Acadian Mining. A positive FS was published in the summer of 2015, which allowed Atlantic Gold to immediately raise the necessary cash to bring the project into production, at the peak of the bear market which was very impressive. According to the mine plan, the softer rock at the fully permitted Touquoy project will be processed first, followed by the Beaver Dam ore (although it's not unlikely the Cochrane Hill deposit will also contribute quite a bit of ore, either at the same time as Beaver Dam, or as a plan B solution in case the permitting process at Beaver Dam gets delayed).

Even though I do expect the next resource updates on the Cochrane Hill and Fifteen Mile Stream deposits to be (very) positive, it will be important to see to what extent the company can integrate the additional ounces in the mine plan for the Moose River project. Including those ounces will probably push the post-tax NPV5 of the project to in excess of C$300M, which together with a very low P/CF ratio will probably lead towards a substantial rerating.

I am also looking forward to the completion of the construction and commissioning phase. Virtually all new mines encounter some teething problems that will have to be solved during the commission phase, but CEO Dean and COO Belanger seem to know exactly what they are doing, and I expect them to tackle all potential issues head on, to ramp up to full production by early 2018 as planned.

To the untrained eye, it looks like Atlantic Gold is trading close to its NPV, but there is more value hidden below the surface. CEO Dean doesn't make a secret of his big plans, and getting the MRC project in production is just the first step for Atlantic Gold, with undoubtedly many more good things to come.

I hope you will find this article interesting and useful, and will have further interest in my upcoming articles on mining. To never miss a thing, please subscribe to my free newsletter, and follow me on Seekingalpha.com, in order to get an email notice of my new articles soon after they are published.

Disclaimer:
The author is not a registered investment advisor, and currently holds free tradable warrants. All facts are to be checked by the reader. For more information go to www.atlanticgoldcorporation.com and read the company's profile and official documents on www.sedar.com, also for important risk disclosures. This article is provided for information purposes only, and is not intended to be investment advice of any kind, and all readers are encouraged to do their own due diligence, and talk to their own licensed investment advisors prior to making any investment decisions.

The Critical Investor *is a newsletter and comprehensive junior mining platform, providing analysis, blog and newsfeed and all sorts of information about junior mining. The editor is an avid and critical junior mining stock investor from The Netherlands, MSc background in construction/project management. Number cruncher at project economics, looking for high quality companies, mostly growth/turnaround/catalyst-driven to avoid too much dependence/influence of long term commodity pricing/market sentiments, and often looking for long term deep value. Getting burned in the past himself at junior mining investments by following overly positive sources that more often than not avoided to mention (hidden) risks or critical flaws,* The Critical Investor *learned his lesson well, and goes a few steps further ever since, providing a fresh, more in-depth, and critical vision on things, hence the name.*

Plant site; aerial