



ATLANTIC GOLD

ATLANTIC ANNOUNCES STRATEGIC INVESTMENT IN VELOCITY MINERALS LTD.

January 17, 2019

Canadian dollars unless otherwise noted

Vancouver, British Columbia – Atlantic Gold Corporation (TSX-V: AGB) ("Atlantic" or the "Company") is pleased to announce that Atlantic has entered into an agreement (the "Agreement") to invest \$9,000,000 by way of a non-brokered private placement financing (the "Financing") as a strategic investment in Velocity Minerals Ltd. (TSX-V: VLC) ("Velocity").

With this investment Atlantic will hold 39.2% on a partially diluted basis in Velocity and looks forward to working closely with Velocity management to further advance Velocity's Rozino project through feasibility study and ultimately, construction and commissioning.

Atlantic recognizes many of the key characteristics of its Moose River Consolidated Mine in Velocity's properties (as derived from Velocity's Preliminary Economic Assessment ("PEA") on the Rozino Project completed on September 17, 2018), namely the potential for:

- AISC in the range of ~USD\$550-650/oz, in the lower decile of industry costs
- Low initial capex
- Low strip ratio deposits with a 1.51 g/t Life of Mine ("LOM") gold grade
- Resource extension potential at existing deposits
- Simple metallurgy and conventional processing methods
- Potential for multiple open pits which could be treated through a central milling facility
- An under-explored gold belt, with little, if any modern gold exploration

Bulgaria is a country with a long mining history and has been proven in recent years to be a jurisdiction where Canadian mining companies can successfully operate and develop gold mining operations. Velocity also brings a significant additional advantage through its local partner, with which it has agreement to process mineralized material through its currently operating CIL process facility located near the Rozino deposit.

The above AISC and gold grades are based off disclosure in Velocity's PEA on the Rozino Project (see Velocity's news release dated September 17, 2018). The PEA is preliminary in nature and includes Inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA results will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

The Financing comprises the following:

- An investment of \$3,906,000 to acquire 18,600,000 units (the "**Units**") of Velocity (the "**Equity Financing**") at a price of \$0.21 per Unit. Each Unit will consist of one common share in the capital of Velocity (each, a "**Share**") and one-half of one common share purchase warrant ("**Warrant**"), with each whole Warrant entitling the holder thereof to purchase one common share in the capital of Velocity at a price of \$0.25 per share for a period of 36 months from the closing of the Financing.
- The remaining investment to be made in exchange for the issuance of convertible debentures of Velocity in the principal amount of \$5,094,000 (the "**Debenture Financing**"), which will earn interest at a rate of 8.5% per annum over a 60-month term (the "**Term**"), payable semi-annually in cash or common shares of Velocity at the discretion of Velocity. The principal amount of the convertible debentures will be convertible to common shares of Velocity during the Term at the election of Atlantic at a conversion price of \$0.25. The convertible debentures issued under the Debenture Financing will be secured with a first ranking charge at any time by way of general security agreement and guarantees from each material subsidiary of Velocity.

Velocity intends to use the proceeds of the Financing to advance its Rozino gold project towards feasibility and permitting, including resource expansion and definition drilling, engineering studies, and environmental monitoring and assessment. In addition, Velocity will proceed with exploration and assessment of satellite deposits in Bulgaria where Velocity has negotiated option rights.

Steven Dean, Chairman and CEO commented "*Atlantic is pleased to enter into a strategic partnership with the Velocity management team with the shared objective of advancing its Bulgarian exploration assets through to feasibility stage and beyond.*"

Through our understanding of the Bulgarian mineral properties to date, Atlantic sees many of the hallmarks we recognised only 4 years ago in our Moose River Consolidated mine which has led to its successful construction, commissioning and operation as the lowest cost producer in the sector with significant production growth in the near future.

We look forward to completing the Financing in short order and working collaboratively with Velocity in 2019.”

Other key terms of the Agreement include the following:

- Atlantic to have the right to appoint one individual to serve as a director of Velocity provided Atlantic owns at least 15% of the common shares of Velocity, with the number of nominees increasing to 2 out of five directors when Atlantic’s share ownership of Velocity exceeds 30%
- Atlantic’s voting rights in Velocity to be limited to 35% of Velocity’s outstanding shares, other than, among other things, in the context of a change of control of Velocity, if Velocity is in default under the agreements related to the Financing, or with approval of Velocity
- Atlantic and Velocity will enter into a separate agreement whereby Atlantic provides certain commercial and technical services from time to time as agreed by the parties
- Other rights customary for a strategic investor including but not limited to anti-dilution rights, standstill periods on further acquisitions and/or dispositions of shares, and minority shareholder protections

All securities issued in connection with the Financing will be subject to a hold period of four-months and one day in Canada. The Financing is subject to acceptance for filing by the TSX Venture Exchange, Atlantic being satisfied with its due diligence regarding Velocity, and the delivery of certain closing documents. Velocity has obtained the approval of the shareholders of Velocity for Atlantic becoming a control person of Velocity as required under the policies of the TSX Venture Exchange by consent resolution. Atlantic has also entered into voting support agreements with the directors and officers of Velocity, holding in aggregate 36.7% of the issued and outstanding common shares of Velocity.

Atlantic does not currently own or have control or direction over any securities of Velocity. Following closing of the Financing, Atlantic will beneficially own and have control and direction over an aggregate of 18,600,000 common shares of Velocity representing approximately 19.9% of the issued and outstanding Common Shares of Velocity. Assuming conversion of both the convertible debenture and the exercise of the Warrants offered to Atlantic pursuant to the Financing, Atlantic would own and/or control, directly and indirectly, 48,276,000 common shares, representing 39.2% of the issued and outstanding common shares of Velocity on a partially diluted basis.

About Velocity

Velocity is an exploration and development company with a medium-term strategy to move towards gold production in Bulgaria. A Preliminary Economic Assessment has been completed [on the Rozino gold project and Velocity is focused on expansion and exploration drilling as part](#)

of feasibility-level work. Six additional near surface gold projects provide additional potential for resource growth.

Velocity envisions staged open pit mining of satellite deposits and processing in a central CIL plant. An existing, operating processing plant is available through an Exploration and Mining Alliance with its established Bulgarian operating partner. Velocity's strategy is to build a production profile of more than 100,000 ounces of gold per year for over 10 years.

Rozino PEA (excerpts taken from Velocity's news release dated September 17, 2018)

On September 17, 2018, Velocity announced the results of an independent PEA on its Rozino gold project ("**Rozino**" or the "**Project**") located in southeast Bulgaria. The PEA provides a base case assessment of developing the Project by open pit mining and gold recovery by a combination of on-site preconcentration in a flotation plant ("**Flotation Plant**") and further processing in an existing operating carbon-in-leach plant ("**CIL Plant**") located in Kardzhali, 85km by road from Rozino. Saleable gold doré will be produced at Kardzhali. The PEA financial model returns an after-tax NPV_{5%} of \$129 million and an after-tax internal rate of return ("**IRR**") of 33.1%.

Rozino is located within the Tintyava prospecting license, an exploration property in which Velocity had an exclusive right to acquire a 70% interest by delivering the PEA report to the underlying property owner, Gorubso Kardzhali A.D. ("**Gorubso**"). With the delivery of the PEA in Q4 2018, Velocity is deemed to have earned a 70% interest in the Tintyava Property and to be in Joint Venture with Gorubso for the further development of the Property.

PEA¹ Highlights

- **After-Tax Financials:** After-tax NPV_{5%} of \$129 million and after-tax IRR of 33%
- **Cash Cost:** All-in sustaining cost² of US\$543 per ounce
- **Annual Gold Production:** Steady state³ annual production of 65,000 ounces, peak annual production of 78,000 ounces
- **Capital Costs:** Total estimated capital costs of \$97.6 million (includes contingency)
- **Sustaining Capital:** Low estimated sustaining capital of \$6.3 million
- **Mining:** Open pit with 0.6 g/t gold Cut-Off Grade (COG), attractive strip ratio of 2.5 and 1.51 g/t LOM gold grade
- **Processing:** On-site flotation producing gold bearing pyrite concentrate assaying 30 g/t and transportation to the CIL Plant (located 85 km from the Project) for processing
- **ROCE:** Return on capital expenditure of 3.3

(1) Base case parameters assume a gold price of US\$1,250/ounce and an exchange rate (CAD\$ to US\$) of 0.75. All amounts are reported in Canadian dollars unless otherwise specified. Financial results on 100% equity basis.

(2) All In Sustaining Cost (AISC) is defined as all cash costs related to mining and processing to final product. It includes on-mine and off-mine costs (direct and indirect). Sustaining capital costs related to continuing the business including exploration, development and equipment required to sustain production are included. Taxes, working capital, M&A, disposals and

Suite 3083 - 595 Burrard Street, P.O. Box 49298, Vancouver B.C. Canada V7X 1L3

Telephone: (604) 689-5564 Fax: (604) 566.9050

www.atlanticgoldcorporation.com

acquisitions as well as new mine development capital costs are excluded.

(3) Steady state refers to the long-term average over time where processing throughput is maintained at nameplate capacity.

The PEA is preliminary in nature and includes Inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the PEA results will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

The PEA was prepared by CSA Global, an international mining consultancy with experience in Bulgaria, in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects*.

Updated Mineral Resource Estimate - Rozino

An updated mineral resource estimate using all of the relevant drill hole information to date was reported for a range of cut-off grades returning an Inferred mineral resource of 13Mt @ 1.37g/t gold at a 0.6 g/t gold cut-off grade, for total contained gold of 573,000 ounces. The estimates are based on 2m down-hole composited gold assay grades from angled diamond drilling.

Velocity has received results from approximately 9,050m of diamond drilling to date. Relative to the dataset available for the previous March 2018 estimates, the current sampling database contains assay results for an additional 12 holes for 1,580m of drilling.

Inferred Mineral Resource Estimate			
Cut-Off Grade (g/t Au)	Tonnes (MT)	Gold Grade (g/t)	Gold Metal (Koz)
0.2	50	0.59	948
0.5	17	1.17	639
0.6	13	1.37	573
0.7	9.7	1.57	490

1. Effective date September 10, 2018.
2. Mineral resources are not mineral reserves and do not have demonstrated economic viability.
3. The mineral resource disclosed herein has been estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum "CIM Definition Standards for Mineral Resources and Mineral Reserves" (CIM, 2014).
4. Any known legal, political, environmental, or other risks that could materially affect the potential development of the mineral resource are detailed below in the section entitled "Cautionary Statement Regarding Forward-Looking Information".

Please see Velocity's news release dated September 17, 2018 for additional information regarding the PEA and updated resource estimate.

Qualified Person

The technical content of this release has been approved for disclosure by Stuart A. Mills, BSc, MSc, CGeol, a Qualified Person as defined by National Instrument 43-101 and the Velocity's Vice President Exploration. Mr. Mills is independent of the Company.

Further updates will be provided in due course.

On behalf of the Board of Directors,

Steven Dean
Chairman and Chief Executive Officer

For further information about Atlantic, please contact:

Chris Batalha (CFO)

+1 604 689-5564

Maryse Bélanger (President and COO)

+1 604 689-5564

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

About Atlantic:

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.

Atlantic is focused on growing gold production in Nova Scotia beginning with its MRC phase one open pit gold mine which declared commercial production in March 2018, and its phase two Life of Mine Expansion which will ramp up gold production to + 200,000 ounces per year at industry lowest quartile cash and all-in-sustaining-costs (as stated in the Company's news releases dated January 16, 2019 and January 29, 2018).

Atlantic 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.

Forward-Looking Statements:

This release contains certain “forward looking statements” and certain “forward-looking information” as defined under applicable Canadian and U.S. securities laws. Forward-looking statements and information can generally be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “continue”, “plans” or similar terminology. Forward-looking statements and information are not historical facts, are made as of the date of this press release, and include, but are not limited to, statements regarding the Financing, including the ability to close the Financing, the benefits of the Financing, the timing of the Financing and approvals related thereto; Velocity’s properties, including plans and expectations of Velocity and Atlantic related to the properties; statements related to Atlantic’s proposed exploration and development programs, grade and tonnage of material and resource estimates; discussions of future plans, guidance, projections, objectives, estimates and forecasts and statements as to management’s expectations with respect to, among other things, the activities contemplated in this news release and the timing and receipt of requisite approvals in respect thereof. Forward looking information, including future oriented financial information (such as guidance) provides investors an improved ability to evaluate the underlying performance of the Company. These forward looking statements involve numerous risks and uncertainties and actual results may vary. Important factors that may cause actual results to vary include without limitation, the ability to close the Financing, timing and receipt of certain approvals, changes in commodity and power prices, changes in interest and currency exchange rates, risks inherent in exploration estimates and results, timing and success, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), changes in development or mining plans due to changes in logistical, technical or other factors, unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications, cost escalation, unavailability of materials, equipment and third party contractors, delays in the receipt of government approvals, industrial disturbances or other job action, and unanticipated events related to health, safety and environmental matters), political risk, social unrest, and changes in general economic conditions or conditions in the financial markets. In making the forward-looking statements in this press release, the Company has applied several material assumptions, including without limitation, the assumptions that: (1) market fundamentals will result in sustained gold demand and prices; (2) the receipt of any necessary approvals and consents in connection with the development of any properties; (3) the availability of financing on suitable terms for the development, construction and continued operation of any mineral properties; and (4) sustained commodity prices such that any properties put into operation remain economically viable. Information concerning mineral reserve and mineral resource estimates also may be considered forward-looking statements, as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. Certain of the risks and assumptions are described in more detail in the Company’s audited financial statements and MD&A for the year ended December 31, 2017 and for the quarter ended September 30, 2018 on the Company’s SEDAR profile at www.sedar.com. The actual results or performance by the Company could differ materially from those expressed

Suite 3083 - 595 Burrard Street, P.O. Box 49298, Vancouver B.C. Canada V7X 1L3

Telephone: (604) 689-5564 Fax: (604) 566.9050

www.atlanticgoldcorporation.com

in, or implied by, any forward-looking statements relating to those matters. Accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of the Company. Except as required by law, the Company is under no obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.