



Appendix E.1

Economic Impact Assessment of the Fifteen
Mile Stream Mining Project, KPMG LLP



ATLANTIC GOLD CORPORATION

Economic Impact Assessment of the Fifteen Mile Stream Mining Project

Preliminary Report

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kpmg.ca



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Disclaimer

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Executive Summary

Atlantic Gold Corporation (AGB) has retained the services of KPMG to evaluate the economic benefits stemming from its Fifteen Mile Stream (FMS) mining project in Nova Scotia and, more precisely, from its exploration, construction and operation activities. The Fifteen Mile Stream project is a gold mine with a projected production over the life of mine (LOM) of 390,800¹ ounces. Mine operations are expected to start in 2021 after a one (1) year construction period and five (5) years of exploration. The mine is expected to stay in operation for six (6) years.

Between 2014 and 2018, \$14.6M has been spent on exploration, while the initial or capital investment (CAPEX) currently being considered by AGB is estimated at \$123.4M and average annual operating costs (OPEX) at \$39.0M. Based on the financial data provided by AGB, KPMG calculated the direct and indirect economic impacts of exploration, construction and operating activities using the Statistics Canada Input-Output (I-O) model. This model is the benchmark model for analyzing economic benefits in the Canadian economy. The table below summarizes the economic impact on Canada and Nova Scotia stemming from exploration, construction and operating spend of AGB for the FMS project.

The exploration phase as a whole generated \$10.6M in value added in Nova Scotia over a five-year period, while supporting 93 jobs. The construction phase would generate \$81.4M in value added for Nova Scotia economy, support 778 jobs and generate \$4.4M and \$2.4M in provincial and municipal government revenues, respectively. Finally, operating activities would generate \$18.6M in value added annually, support 289 jobs in the province and provide \$13.0M and \$0.9M in provincial and municipal government revenues.

Impacts on the Canadian economy as a whole will be higher as some of the subcontractors working on site would come from other Canadian provinces. For exploration, construction and operation activities, the impacts on the Canadian economy would be 18%, 14% and 27%, respectively, higher than provincial impacts (based on value added).

Table 1: Summary of the Economic Impact (direct and indirect) on Canada and Nova Scotia Stemming from Exploration, Construction and Operation Activities for the FMS mining project

2020-2026, in millions of dollars

In millions of dollars	Canada			Nova Scotia		
	Exploration (5 years)	Construction (1 year)	Operation (Per year)	Exploration (5 years)	Construction (1 year)	Operation (Per year)
Value added	12.5	93.1	23.7	10.6	81.4	18.6
Government revenues	0.9 <i>(federal only)</i>	4.3 <i>(federal only)</i>	8.6 <i>(federal only)</i>	0.9 <i>(provincial only)</i> 1.3 <i>(municipal only)</i>	4.4 <i>(provincial only)</i> 2.4 <i>(municipal only)</i>	13.0 <i>(provincial only)</i> 0.9 <i>(municipal only)</i>
In person-year (FTE equivalent)						
Jobs created	105	915	323	93	778	289

¹ Refer to the recovered quantity considering an average ore grade of 1.24 g/t Au and an average recovery rate of 90.6% as based on information provided by AGB.

It should be noted that this report does not explore dynamic economic impacts on the Nova Scotia economy, such as:

- Additional investments in Nova Scotia resulting from the increased activity stimulated by the project;
- Reinforcement of Nova Scotia's mining sector;
- Spillover effect resulting from the expertise of professional firms and contractors from other provinces;
- Improvement of living conditions in certain communities as salary in the mining sector is significantly higher in the mining sector;
- Reduction of worker migration to other provinces.

1. Introduction

1.1 Mandate overview

Atlantic Gold Corporation, and hereby designated as “AGB”, has retained the services of KPMG to evaluate the economic benefits stemming from the development of the **Fifteen Mile Stream (FMS)** mining project and, more precisely, from exploration, construction and operating activities related to the project.

This evaluation was carried out based on the information available as of January 2019. The information primarily came from the technical report carried out by Ausenco technical services and published in January 2018². Additional data and information were provided by AGB where more detail was required for the purposes of the analysis.

1.1.1 Objectives

The objective of the mandate is to evaluate the economic contribution of the investments and overall activities related to the FMS mining project. The economic impact is based on the total capital expenditures (CAPEX) and the operational expenditures (OPEX) over the life of mine (LOM). The economic impacts are measured in terms of:

- jobs directly sustained by AGB in Nova Scotia and Canada;
- jobs indirectly sustained in Nova Scotia and Canada by all of AGB’s expenditures;
- value added or wealth created in Nova Scotia and Canada (from exploration, capital and operation expenditures);
- taxes paid directly or indirectly (property taxes, income taxes, corporate taxes, taxes on products and royalties), at the municipal, provincial and federal levels.

1.2 Methodological Framework

1.2.1 Static Economic Impacts

This study presents the static economic impacts, which are the multiplying effects of the initial spending that AGB plans to spend on the project in Nova Scotia. In short, these impacts measure the cascading effects that are produced by an injection of cash in a given territory. The more integrated the economy, or the more initial spending engages sectors of activity already in the region, the greater the economic benefits.

The cascading economic benefits are divided into two main groups – the direct and indirect effects of intended spending:

- The **direct effects** are the revenues directly attributable to the spending involved in the project. These revenues are generated by the principals authorizing the expansion project (meaning AGB and its general contractors). These are the salaries paid to AGB’s or prime contractors staff and other revenues generated (profits, amortization);
- The **indirect effects** are the income effects stemming from a demand for goods and services generated by the project activities in other industrial sectors. We are referring here to the impacts on the suppliers selling their goods and services to the principals investing in the project. For example, these include professional and engineering services, specialized technical services (surveying, drilling, etc.), mechanical, energy, machinery and equipment services and the like. Indirect

² Moose River Consolidated Project, Nova Scotia, Canada, NI 43-101 Technical Report on Moose River Consolidated Phase 1 and Phase 2 Expansion

impacts therefore also include salaries paid to employees of the various suppliers as well as other revenues generated by these suppliers (profits, amortization).

The direct and indirect economic impacts were calculated using Statistics Canada Input-Output (I-O) model. This model is designed to simulate the activity of a project, a company or an industry (based on the number of jobs, production volume, expenditures or sales) and measure its direct and indirect effects on the national and provincial economies.

This study does not include an assessment of the dynamic impacts of FMS project operations or its investments. Dynamic economic impacts occur when a project contributes, in addition to its effect of spending on the territory's economy, to increase the overall economic performance of firms, a region or an industrial sector. This improvement in performance can take various forms, such as improving worker productivity, developing new skills, reducing production costs or increasing exports. The scope of these impacts is generally much broader than the project under study, and the benefits generated can be felt in many companies, including customers and suppliers.

1.3 Basic Assumptions Underlying This Evaluation

The evaluation of the economic benefits stemming from the FMS mining project is based on numerous assumptions, the most important ones being as follows:

- The analysis is based on the project costs that were provided to KPMG by AGB. The information mainly comes from the technical report published in January 2018, but some figures were refined based on further information sent by AGB to KPMG. Benefits could vary upwards or downwards depending on whether the final project costs are eventually higher or lower;
- The analysis is based on the project cost distribution provided by AGB. The benefits could vary if the distribution among the components were to change;
- The analysis is based on 2014 Input-Output (I-O) model from Statistics Canada, which is, as of February 2019, the most recent model available and representative structure of the Nova Scotia and Canadian economies. All results are denominated in 2018 Canadian dollars. Where possible, adjustments were performed to update certain parameters of the model³. The benefits could vary if the average structure of the Canadian economy changed. Furthermore, the input-output model is based on the assumption of fixed technological coefficients. It does not take into account economies of scale, constraint capacities, technological change, externalities, or price changes. This makes impact analysis less accurate for long-term and large impacts as firms adjust their production technology and the IO technological coefficients become outdated. Assuming that firms adjust their production technology over time to become more efficient implies that the impact of a change in final demand will tend to be overestimated;
- The benefits include contingency impacts. Such impacts could vary as contingency margins are increased or decreased.
- KPMG preferred to be careful about any additional assumptions that could be made such that the results remain conservative.

³ In particular, employment numbers were adjusted to take into account wage increases over the 2014-2018 period. When possible, fiscal data was also updated to take into account changes in fiscal policy. While the analysis is based on the 2014 tax structure for taxes on products and production (tax rate, available credit, contribution rate, etc.), 2016 personal effective income tax rates were used to estimate both direct and indirect personal revenue income taxes generated. The 2018 corporate tax rates and royalty regime were used to assess the direct fiscal contribution of AGB. These latter figures were provided by AGB.

1.4 Document Structure

This document is divided into four main blocks:

- The first section provides an outline of the **project's scope**;
- The second section presents the economic benefits stemming from the **exploration** activities;
- The third section displays the economic benefits stemming from the **construction** activities;
- The fourth section assesses the economic benefits stemming from **operations**.

2. Project Scope

This first section presents the main characteristics of the FMS mining project.

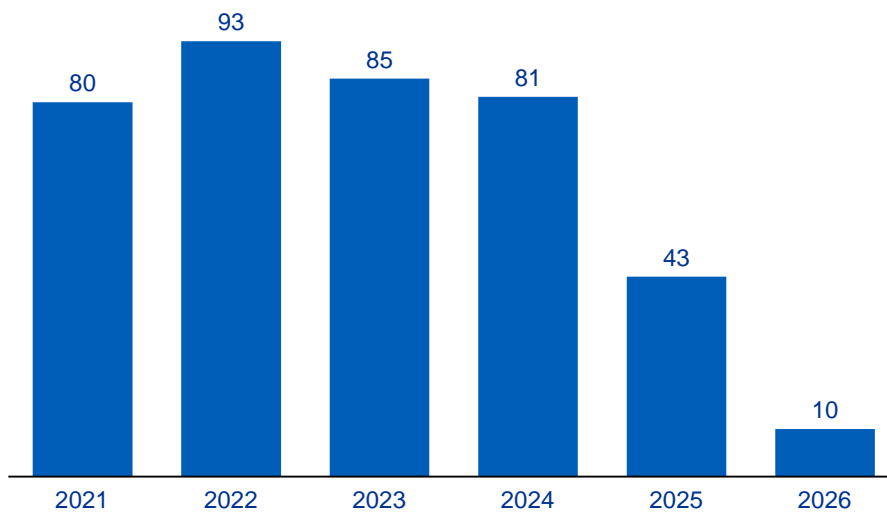
2.1 Project Overview

AGB is currently focused on the development of its portfolio of advanced gold development properties located in Nova Scotia. AGB currently holds four gold development projects in the province (Touquoy, Beaver Dam, Cochrane Hill and Fifteen Mile Stream). The FMS project is still at its early stage of development and has historical resources in place.

The FMS Gold Deposit is located approximately 57 km northeast of the central processing facility at the Moose River Consolidated Gold Mine. According to the Feasibility Study, the mine will be in operation in 2021 after one (1) year of site preparation (construction) and five (5) years of exploration. It is expected that the mine will be in operation for six (6) years (from 2021 to 2026) and will produce a total of 390,800 ounces of gold over the LOM at grade ranging from 1.57 to 0.39 grams per tonne and an average recovery grade of 90.6%.

Figure 1: Fifteen Mile Stream LOM Production Schedule

2020-2026, gold produced in '000 ounces



Source: AGB, 2018. KPMG analysis

2.2 Spending and Investment Needs throughout LOM

A project like the one considered by **AGB** is subject to important investments and spending whether for the stages of construction or for the operation of the mine. **AGB** plans to spend \$399.4 million in Nova Scotia over the 2014 to 2026 period.

Table 2: Distribution of Spending: FMS Project
2014-2026, over the entire life of the project

Spending category	In M\$	As a % of the total
1. Exploration (2014-2018)	14.6	3.7%
2. Construction (2020)	123.4	30.9%
3. Operation (2021-2026)	234.0	58.6%
4. Sustaining capital (2021-2026)	27.4	6.9%
Total (2020-2026)	399.4	100.0%

Source: AGB, 2018. KPMG analysis

The **exploration phase** (2014-2018) includes all the activities related to the search of minerals such as prospecting, mapping, digging and the production of geophysical surveys.

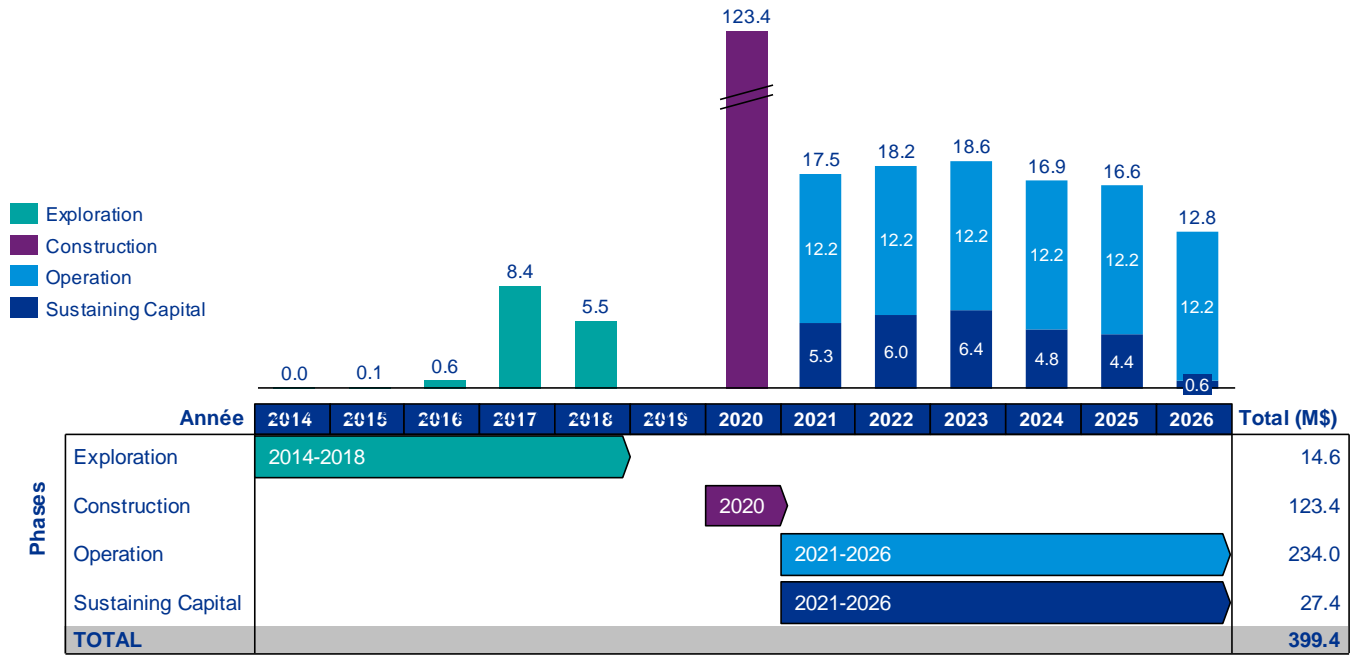
The **construction phase** (2020) includes the expenditure required to start up a business to a standard where it is ready for initial production. This phase would start with mine site development activities including forest clearing, soil preparation and road constructions. Following this step, **AGB** would go forward with the construction of the site's infrastructure such as of the electrical infrastructure, water and sewage treatment plants. Investments at this stage would also include permanent equipment, materials and labour associated with the physical construction of the process facility, infrastructure, utilities, buildings, etc. Contractor's costs are also considered.

The **operation phase** (2021-2026) of the mine would begin in 2021 and extend for six (6) years, according to documents provided by **AGB**. Life of mine unit operation costs were estimated at \$19.2/t milled for FMS⁴. They include material costs and payroll for all mine activities, including, for example, drilling, extraction, conveying and transportation of ore. The operating phase also includes the costs of the ore processing plant (e.g. chemicals, electricity, consumables, fuel), tailings management and water management (e.g. environmental services, waste management residues) and the general administration of operations (e.g. management of site administration, human resources, technical services, electronic equipment, office supplies). In addition, all capital investments required to maintain infrastructure or spending related to the preservation of the environment (i.e. wetland restoration) occurring during the operation phase will be considered as operation costs.

Figure 2 illustrates the schedule of the spending throughout the LOM.

⁴ Average annual cost excludes final year of stockpile rehandle.

Figure 2: Total Spending by AGB on the FMS Mining Project
 2024-2026, in \$M



Source: AGB, 2018. KPMG analysis

3. Economic Benefits Stemming from Exploration Activities

This second section presents the direct and indirect economic benefits stemming from exploration expenditures at FMS. The nature and scope of the expenditures made are first analyzed, then the resulting economic benefits for the province of Nova Scotia and for Canada are presented.

3.1 Exploration Expenditures

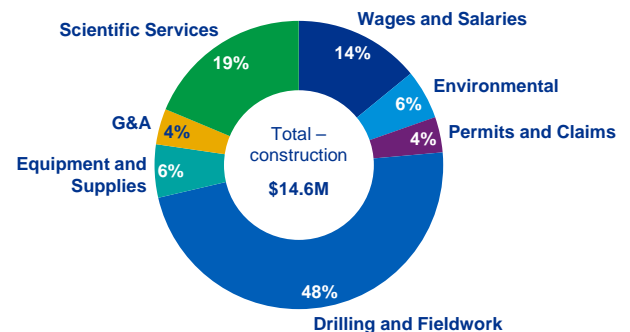
Mining exploration refers to the search for mineral that appears in high enough concentration and amounts to be extracted and processed for profit. This phase includes activities such as prospecting, mapping, digging and production of geophysical surveys, but also the acquisition of permits, leases and licenses that are required. These generate further economic activity, support well-paid jobs and play a key role in ensuring the long-term viability of the province’s mining industry.

3.1.1 Broad Spending Components

AGB has conducted exploration activities at the FMS site between 2014 and 2018 for a total spending of \$14.6M. Exploration costs can be divided into eight (8) broad components:

- Permits and claims;
- Drilling and fieldwork;
- Scientific services including analysis by third party to assess drill results, metallurgical recoveries and chemistry of the core;
- Drilling and fieldwork;
- Environmental related activities, among which permits acquisition, wetland alternation plans, field studies, environmental auditing of drill programs;
- Equipment and supplies;
- Wages and salaries;
- General and administration, including travel and accommodation, and office material.

Figure 3: Breakdown of the FMS Mining Project Exploration Spending by Broad Component
2014-2018, exploration phase



Note: Due to rounding, the sum of items may not add up to the total.
Source: Data from AGB, KPMG analysis.

3.2 Economic Impacts of Exploration Activities

The economic spinoffs of exploration spending at FMS are estimated at \$10.6M in Nova Scotia. This total corresponds to the value added of exploration expenditures in Nova Scotia, or, in other words, the true wealth creation effect on the Nova Scotia economy. Pre-tax wages represent 65% of this added value, or \$6.9M. These activities supported 93 jobs (in person-year) over the 5-year exploration period.

The following table shows the distribution of direct and indirect effects on value added and employment over the whole exploration period.

Table 3 : Economic Impact on Nova Scotia Stemming from the Exploration Activities – FMS Mining Project
Total from 2014-2018, in millions of dollars and in person-years

Nova Scotia	Direct Effects	Indirect Effects	Total
In millions of dollars			
Total value added, of which	3.6	7.0	10.6
Salaries and wages before income taxes	2.1	4.8	6.9
Other revenues before income taxes	1.5	2.2	3.7
In person-year (FTE equivalent)			
Jobs in person-years	30	63	93

Note : Due to rounding, the sum of items may not add up to the total.

Source : Simulations of Statistics Canada based on data from AGB, KPMG analysis

For Canada as a whole, the impacts arising from exploration activities in terms of wealth are slightly higher – less than 20% higher. Impacts are estimated at \$12.5M in value added across Canada and 105 jobs supported (including AGB suppliers; these are full-time equivalent jobs over the duration of the exploration phase).

Table 4 : Economic Impact on Canada Stemming from the Exploration Activities – FMS Mining Project
Total from 2014-2018, in millions of dollars and in person-years

Canada	Direct Effects	Indirect Effects	Total
In millions of dollars			
Total value added, of which	3.6	8.9	12.5
Salaries and wages before income taxes	2.1	5.9	8.0
Other revenues before income taxes	1.5	3.0	4.5
In person-year (FTE equivalent)			
Jobs in person-years	30	75	105

Note : Due to rounding, the sum of items may not add up to the total.

Source : Simulations of Statistics Canada based on data from AGB, KPMG analysis

The exploration phase also has an impact on government revenues, whether through taxes on personal incomes, taxes on products and taxes on production. Total tax revenues are estimated at \$0.9M for the Nova Scotia Government, \$1.0M for the Federal Government and \$1.3M for municipal governments as the result of the acquisition of permits and claims.

Table 5: Direct and Indirect Municipal, Provincial (Nova Scotia) and Federal Government Revenues Stemming from Exploration Activities – FMS Mining Project

2020, in millions of dollars

Detail tax revenues	Personal income tax ¹	Taxes on products ²	Taxes on production ²	Total
Municipal	--	0.0	1.3	1.3
Nova Scotia (Provincial)	0.6	0.0	0.3	0.9
Canada (Federal)	0.6	0.0	0.4	1.0

Note : Due to rounding, the sum of items may not add up to the total.

1. Personal income taxes have been estimates based on 2016 effective tax rate in Nova Scotia and Canada (from Statistics Canada).

2. Direct and indirect taxes, based on Statistics Canada Input-Output model.

Source : Statistics Canada, AGB, KPMG analysis

4. Economic Benefits Stemming from Construction Activities

This third section presents the direct and indirect economic benefits of the investment expenditures of the FMS Project. The nature and scope of the expenditures are first analyzed, then the resulting economic benefits for the province of Nova Scotia and for Canada are presented.

4.1 Construction Activities

4.1.1 Broad Spending Components

According to the data provided by AGB, total costs for the construction of the Fifteen Mile Stream mine are estimated at \$123.4M including right of way and land acquisition of \$1.8M⁵ and contingency. These costs consist of four (4) broad components:

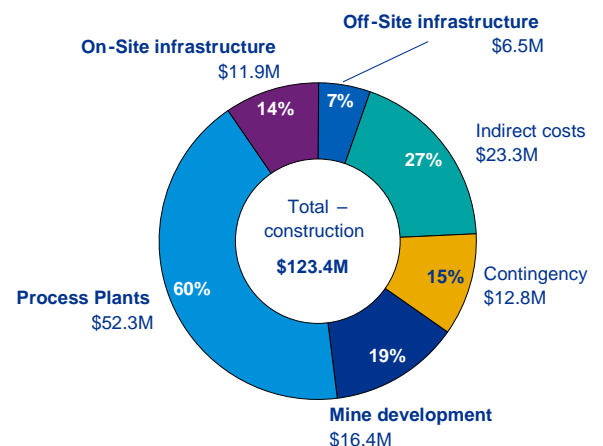
- Construction and commissioning of the processing plant (60% of the total spending);
- Construction of the mine including site preparation and pit water (19% of total spending);
- On-site infrastructure such as laboratory and sewage treatment plant (14% of the total spending);
- Off-site infrastructure like roads and power supply (7% of total spending);

Are also included:

- Indirect costs which include all costs associated with implementation of the plant and incurred by the owner, engineer or consultants in the design, procurement, construction, and commissioning of the project (27% of the total spending);
- Contingency is a cost element to accommodate unknown items that are expected to occur within the defined scope of the project, but which cannot be properly defined at the current stage of the project (15% of the total spending).

The construction phase is characterized by a large volume of purchases of goods and services, notably to subcontractors (44%) as well as towards the purchase of materials and specialized equipment (25%). The following figure shows the breakdown by type of expenditure.

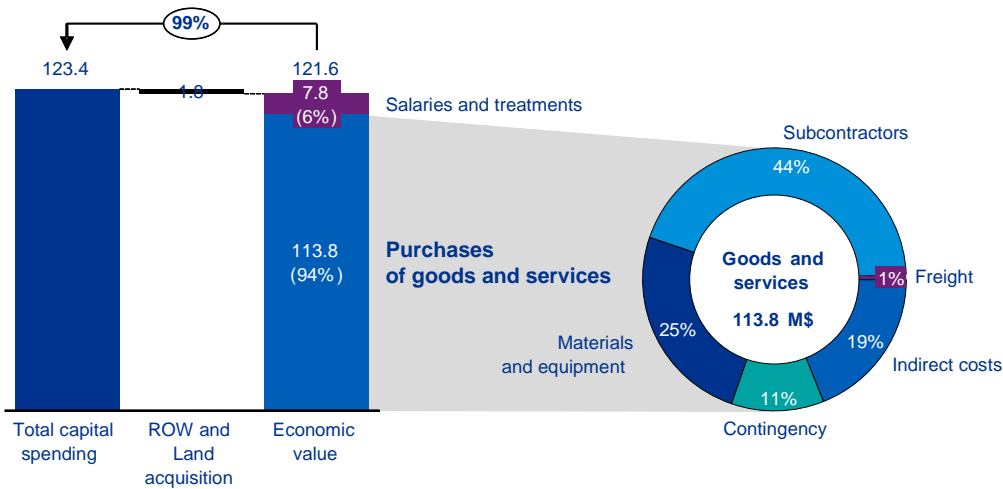
Figure 4: Breakdown of FMS Mining Project Construction Spending by Broad Component 2020, construction phase



Note : Due to rounding, the sum of items may not add up to the total .
Source :Data from AGB, KPMG analysis.

⁵ Since the purchase of land and rights of way is not planned to create value in the economy, this portion of the capital expenditures will be excluded from the economic impact analysis.

Figure 5: Distribution of FMS Project Construction Expenses by Category of Goods and Services
2020, in millions of dollars and breakdown in %



Source: Data from AGB, KPMG analysis.

Note: For the purposes of this economic impact analysis, all cost related to ROW and land acquisition has been removed from the input's simulation as they are considered to generate no economic value.

4.2 Economic Impacts of Construction Activities

For 2020, the economic spinoffs of the projected investments stemming from the construction of the FMS mine are estimated at \$81.4 million in Nova Scotia. This total corresponds to the value added of the project in Nova Scotia, or, in other words, the true wealth creation effect on the Nova Scotia economy. Pre-tax wages represent 77% of this added value, or \$63.1M. The investment activities would support 778 jobs (in person-years) over the entire duration of the work. These would consist of 666 direct jobs, to which would be added 112 indirect jobs among Nova Scotia suppliers.

The following table shows the distribution of direct and indirect effects on value added and employment. It is important to emphasize that those benefits are not recurring yearly and reflect the impact of one-off expenditures during the construction work.

Table 6 : Economic Impact on Nova Scotia Stemming from the Construction – FMS Mining Project
2020, in millions of dollars and in person-years

Nova Scotia	Direct Effects	Indirect Effects	Total
In millions of dollars			
Total value added, of which	68.8	12.6	81.4
Salaries and wages before income taxes	55.4	7.7	63.1
Other revenues before income taxes	13.5	4.9	18.3
In person-year (FTE equivalent)			
Jobs in person-years	666	112	778

Note: Due to rounding, the sum of items may not add up to the total.

Source: Simulations of Statistics Canada based on data from AGB, KPMG analysis

For Canada as a whole, the impact arising from the construction activities of FMS mining project in terms of wealth is estimated at \$93.1M and would support 915 additional jobs (including AGB suppliers). These are full-time equivalent jobs over the duration of the construction phase (1 year).

Table 7 : Economic Impact on Canada Stemming from the Construction – FMS Mining Project
2020, in millions of dollars and in person-years

Canada	Direct Effects	Indirect Effects	Total
In millions of dollars			
Total value added, of which	71.7	21.4	93.1
Salaries and wages before income taxes	57.4	13.2	70.5
Other revenues before income taxes	14.3	8.2	22.6
In person-year (FTE equivalent)			
Jobs in person-years	726	189	915

Note: Due to rounding, the sum of items may not add up to the total.
Source: Simulations of Statistics Canada based on data from AGB, KPMG analysis

The development of the mine would also have a significant impact on government revenues, whether through taxes on personal incomes, taxes on products and taxes on production. Total expected tax revenues stemming from the construction phase amount to \$4.4M for the Nova Scotia Government, \$4.3M for the Federal Government and \$2.4M for municipal governments.

Table 8: Direct and Indirect Municipal, Provincial (Nova Scotia) and Federal Government Revenues Stemming from the Construction – FMS Mining Project
2020, in millions of dollars

Detail tax revenues	Personal income tax ¹	Taxes on products ²	Taxes on production ²	Total
Municipal	--	0.0	2.4	2.4
Nova Scotia (Provincial)	3.6	0.4	0.4	4.4
Canada (Federal)	4.0	0.3	0.0	4.3

Note: Due to rounding, the sum of items may not add up to the total.
1. Personal income taxes have been estimates based on 2016 effective tax rate in Nova Scotia and Canada (from Statistics Canada).
2. Direct and indirect taxes, based on Statistics Canada Input-Output model.
Source: Statistics Canada, AGB, KPMG analysis

5. Economic Benefits Stemming from Operations

This last section presents the economic benefits stemming from mining and processing activities at FMS, for both Nova Scotia and Canada.

5.1 FMS Operating Expenditures

5.1.1 Broad Spending Components

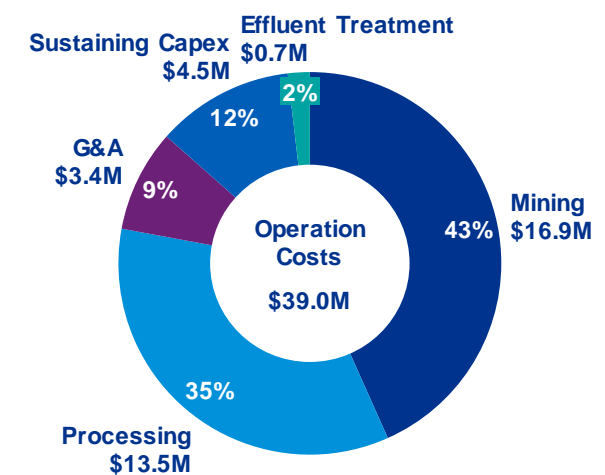
Operating expenditures represent an important part of the FMS's contribution to the economy. Over its lifetime – which is assumed to be of six (6) years – OPEX are estimated at \$234.0M, which is equivalent to an average yearly spending of \$39.0M.

The breakdown of the yearly average operating costs for the FMS mine is illustrated in figure five (5) and falls into six (6) broad components:

- Mining cost including labor, materials, specialized equipment, etc. (43% of total spending);
- Processing cost such as labour, chemicals, electricity, fuel, etc. (35% of total spending);
- Sustaining Capex including materials and spare parts, owner costs and environmental services (12% of total spending);
- General and administration (electronic equipment, office supplies, etc.) (9% of total spending);
- Effluent Treatment (6% of total spending).

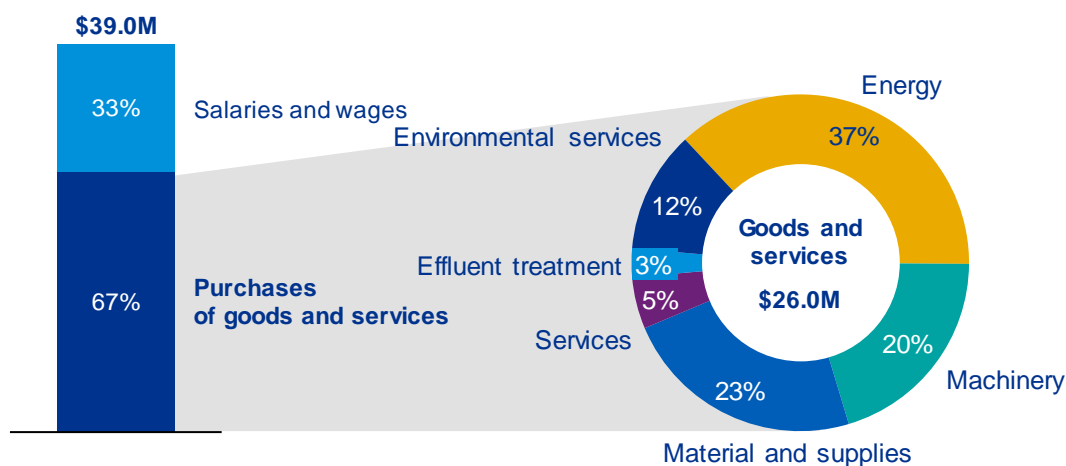
As illustrated in figure 5, for the purposes of the economic impact analysis, sustaining CAPEX has been included in operating expenditures in order to reflect their specific nature. Sustaining capital costs include the costs for raising the tailings dam (as required over the life of the mine), plant and infrastructure spending and reclamation costs.

Figure 6: Breakdown of Average Annual Mine Operating Expenditures by Broad Component
2021,2026 operation phase



Source : AGB, KPMG analysis.

Table 9: Distribution of Mine Operating Expenses by Category of Goods and Services



Source : AGB, KPMG analysis.

5.2 Economic Benefits of Operations

Operating expenses would contribute to increase value added in Nova Scotia by \$18.6M per year on average, or \$111.4M over the entire operating phase (2021-2026). Pre-tax wages would represent 87% of this added value, or more than \$16.0M per year. The planned activities would support the equivalent of 298 full-time equivalent workers per year. These jobs would consist of 235 direct jobs, plus 54 indirect jobs with AGB's leading suppliers. The following table shows the distribution of direct and indirect benefits to value added and employment.

Table 10: Economic Impacts in Nova Scotia Stemming from Operations – FMS Mining Project
Typical year, in millions of dollars and in person-years

Nova Scotia Province	Direct Effects	Indirect Effects	Total
In millions of dollars			
Total value added, of which	12.9	5.6	18.6
Salaries and wages before income taxes	12.8	3.3	16.2
Other revenues before income taxes	0.1	2.3	2.4
In person-year (FTE equivalent)			
Jobs in person-years	235	54	289

Note: Due to rounding, the sum of items may not add up to the total.
 Source: Simulations of Statistics Canada based on data from AGB, KPMG analysis

The following table presents the economic benefits arising across Canada from the projected OPEX. Average yearly value added for Canada amounts to \$23.7M and operations would support 323 jobs across the country.

Table 11: Economic Impacts on Canada Stemming from Operations – FMS Mining Project

Typical year, in millions of dollars and in person-years

Canada	Direct Effects	Indirect Effects	Total
In millions of dollars			
Total value added, of which	12.9	10.7	23.7
Salaries and wages before income taxes	12.8	5.8	18.6
Other revenues before income taxes	0.1	4.9	5.1
In person-year (FTE equivalent)			
Jobs in person-years	235	88	323

Note: Due to rounding, the sum of items may not add up to the total.

Source: Simulations of Statistics Canada based on data from AGB, KPMG analysis

The operation of the mine would generate additional government revenues in terms of labor income taxes, indirect taxes, corporate taxes and mining royalties. Total tax revenues for the Nova Scotia, Canadian and municipal governments would reach nearly \$22.8M a year. These represent conservative estimates as, for example, corporate income taxes paid by suppliers cannot be estimated.

Table 12: Municipal, Provincial and Federal Direct and Indirect Tax Revenues Stemming from Operations – FMS Mining Project

Typical year, in millions of dollars

Detail tax revenues	Corporate income tax and royalties ¹	Personal income tax ²	Taxes on products ³	Taxes on production ³	Total
Municipal	--	--	0.0	0.9	0.9
Nova Scotia (provincial)	9.9	1.1	1.9	0.1	13.0
Canada (federal)	7.2	0.8	0.9	0.0	8.9

Note: Due to rounding, the sum of items may not add up to the total.

1. Direct income taxes and royalties are estimated by AGB; figures exclude corporate income taxes paid by AGB suppliers.

2. Personal income taxes have been estimates based on 2016 effective tax rate in Nova Scotia and Canada (from Statistics Canada).

3. Direct and indirect taxes, based on Statistics Canada Input-Output model.

Source: Statistics Canada, AGB, KPMG analysis

6. Conclusion

The FMS mining project that AGB is currently developing in Nova Scotia would benefit the province's economy. The project under review represents more than \$372M of spending over the 2014-2026 period, including \$14.6M in exploration activities, \$123.4M in capital expenditures and \$234.0M in operating expenditures (\$39.0M in yearly OPEX).

As previously shown, the exploration phase has generated \$10.6M in value added across the province during the five (5) years these activities were conducted. The initial investment leading to the construction of the mine would generate \$81.4M in value added in Nova Scotia, support 778 full-time equivalent jobs and generate \$11.1M in revenues for the three levels of government, while the operating and recurrent spending would generate \$18.6M in value added annually, support 289 jobs and provide \$22.8M per year in government revenues.

Impacts on the Canadian economy as a whole will be higher as some of the subcontractors working on site would come from other Canadian provinces. For exploration, construction and operation activities, the impacts on the Canadian economy would be 18%, 14% and 27%, respectively, higher than provincial impacts (based on value added).

Table 13: Summary of the Economic Impact (direct and indirect) on Canada and Nova Scotia Stemming from Exploration, Construction and Operation Activities for the FMS Mining Project
2020-2026, in millions of dollars

In millions of dollars	Canada			Nova Scotia		
	Exploration (5 years)	Construction (1 year)	Operation (Per year)	Exploration (5 years)	Construction (1 year)	Operation (Per year)
Value added	12.5	93.1	23.7	10.6	81.4	18.6
Government revenues	0.9 <i>(federal only)</i>	4.3 <i>(federal only)</i>	8.9 <i>(federal only)</i>	0.9 <i>(provincial only)</i> 1.3 <i>(municipal only)</i>	4.4 <i>(provincial only)</i> 2.4 <i>(municipal only)</i>	13.0 <i>(provincial only)</i> 0.9 <i>(municipal only)</i>
In person-year (FTE equivalent)						
Jobs created	105	915	323	93	778	289

This report did not explore dynamic economic impacts on the Nova Scotia economy. Dynamic impacts could stem from:

- Additional investments in Nova Scotia resulting from the increased activity stimulated by the project;
- Reinforcement of Nova Scotia's mining sector;
- Spillover effect resulting from the expertise of professional firms and contractors from other provinces;
- Improvement of living conditions in certain communities as salary in the mining sector is significantly higher in the mining sector ;
- Reduction of worker migration to other provinces.



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