South Atlantic
GOLD

Management Discussion and Analysis

For the Three Months Ended November 30, 2020

The following management's discussion and analysis ("MDA") has been prepared as of January 27, 2021 and should be read in conjunction un-audited consolidated condensed interim financial statements for the three and nine months ended November 30, 2020 and the comparative period November 30, 2019. The consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards and all numbers are reported in Canadian dollars, unless otherwise stated.

Throughout the report we refer to South Atlantic, the "Company", "we", "us", "our" or "its". All these terms are used in respect of South Atlantic Gold Inc. All amounts stated are in Canadian dollars unless otherwise stated.

Cautionary Statement on Forward-Looking Information

This report contains "forward-looking statements", including, the Company's expectations as to but not limited to, comments regarding the timing and content of upcoming work programs and exploration budgets, geological interpretations, receipt of property titles, and potential mineral recovery processes. Forward-looking statements express, as at the date of this report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results. The material factors and assumptions used to develop the forward-looking statements and forward looking information contained in this MD&A include without limitation the following: assumptions, risks and uncertainties associated with general economic conditions; the Covid-19 pandemic; adverse industry events; our approved budgets, exploration and assay results, results of the Company's planned exploration expenditure programs, estimated drilling success rates and other prospects. Due to the nature of the mineral resource industry, budgets are regularly reviewed in light of the success of the expenditures and other opportunities that may become available to the Company. Accordingly, while the Company anticipates that it will have the ability to spend the funds available to it, there may be circumstances where, for sound business reasons, a reallocation of funds may be prudent.

Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements and South Atlantic assumes no obligation to update forward-looking information in light of actual events or results.

Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of minerals, mining industry risks and hazards, environmental risks and hazards, economic and political events affecting metal supply and demand, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, and other risks. Actual results may differ materially from those currently anticipated in such statements.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

Overview Performance and Operations

South Atlantic Gold Inc. *(formerly Jiulian Resources Inc*.) (the "Company") was incorporated on October 17, 2006 under the laws of British Columbia, Canada. The Company was a capital pool company as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4. On July 28, 2009, the Exchange accepted for filing the Company's Qualifying Transaction, as a result, the Company resumed trading as a Tier 2 mining company under the symbol "JLR", on August 26, 2009. On February 12, 2016, the Company was transferred to NEX of the Exchange due to not being able to meet Tier 2 Continued Listing Requirements. The trading symbol of the Company was changed to "JLR.H". The Exchange granted final approval on the reactivation of South Atlantic from the NEX Board of the Exchange to Tier 2 of the Exchange effective Tuesday October 9, 2018. The Company commenced trading on the Exchange Tier 2 under symbol "JLR" on the effective date.

On November 19, 2020 the Company changed its name from Jiulian Resources Inc. to South Atlantic Gold Inc. and commenced trading under its new symbol "**SAO**" on November 24, 2020.

The Company's corporate office and principal place of business is located at 335 – 1632 Dickson Avenue, Kelowna, BC V1Y 7T2.

As at the date of this report Choom has the following wholly owned subsidiaries:

Name of Subsidiary	**Jurisdiction**
SOUTH ATLANTIC GOLD BRASIL EXPLORACAO MINERAL LTDA ("**SAG**")	Brazil

The Company is primarily engaged in the acquisition, exploration and development of mineral properties located in Brazil and Canada. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The Company's current properties include the Big Kidd project located in British Columbia and an option to earn-in to the Pedra Branca project in Brazil.

In addition to the below summary please refer to the Company's quarterly MD&A report dated October 26, 2020 ("Q2 2021 MD&A") and filed on SEDAR under the Company's profile.

During the recent quarter ended November 30, 2020 and as at the date of this report herein, the Company reports the following:

Corporate

As previously described in the Q2 2021 MD&A on October 8, 2020 the Company completed In connection with the Acquisition as described hereinbelow on October 8, 2020 the Company issued an aggregate of 17,500,000 Units at a price of $0.10 per Unit for aggregate gross proceeds of $1,750,000 ("**Concurrent Financing**").

The Company anticipates that the net proceeds of the Concurrent Financing will be utilized to complete the Acquisition and to fund the required US$1M earn-in expenditures and related operating costs in relation to the development of the Pedra Branca Property (See Use of Proceeds).

Mineral Properties

Pedra Branca - Brazil

As previously described in the Q2 2021 MD&A on July 29, 2020 the Company entered into a definitive agreement (the "**Option Agreement**") with Jaguar Mining Inc. ("**Jaguar**") to acquire up to a 100% interest in the Pedra Branca property (the "**Pedra Branca Property or Pedra Branca**"") tenement package, located in Ceará State, North-eastern Brazil (the "**Acquisition**").

Pedra Branca is located in Ceará State, Northeast Brazil. The state is a pro-mining region with excellent infrastructure. The capital of the state, Fortaleza, is approximately 280 kilometers from the Pedra Branca and has an international airport and provides good access to the Pedra Branca. The Pedra Branca Property consists of 24 exploration licenses covering 38,926 hectares. Infrastructure includes paved roads, access to the power grid and mine facilities are situated on-site. Jaguar acquired the project area in 2007.

See news releases dated July 30, 2020 and October 14, 2020 for additional details on the Acquisition on www.SEDAR.com and the Company's website at: www.southatlanticgold.com

Earn-In Agreement Update, Pedra Branca Partnership With Jaguar Mining Inc.

South Atlantic Gold continues advancing the earn-in agreement with Jaguar Mining Inc. by continuing the exploration program at Pedra Branca. Once South Atlantic Gold completes the earn-in agreement, the Company will have the option to proceed with either a joint-venture partnership with Jaguar Mining Inc. (in the event Jaguar exercises its one-off back in rights) or to proceed to develop the project on a 100% ownership basis.

Pedra Branca Exploration Program Update

The Company continues to work toward the completion of the Phase I Exploration program at Pedra Branca which includes new drilling and validation of historical drilling as outlined by the recommendations in the technical report (the "**Report**") prepared in accordance with the requirements of NI 43-101 and entitled "*Technical Report, Geology, Mineralization and Exploration of the Pedra Branca Gold Project.*" authored by Brett R Marsh, CPG and Jean-Marc Lopez, FAusIMM, and is filed under the Company's profile on the SEDAR website at www.sedar.com.

Exploration

On October 22, 2020 the Company mobilized a Reverse Circulation (RC) drill rig to the Pedra Branca Property. Drilling will focus on confirmation of known mineralized zones and the extensions on trend zones of gold mineralization intercepted by trenches from five prospective targets that have previously been identified: Mirador, Queimadas e Coelhos, Igrejinha and Mir-Coelhos, covering 12.5km of trend (30% of total 42km trend).

<u>Highlights Of The Phase 1 Program Include:</u>

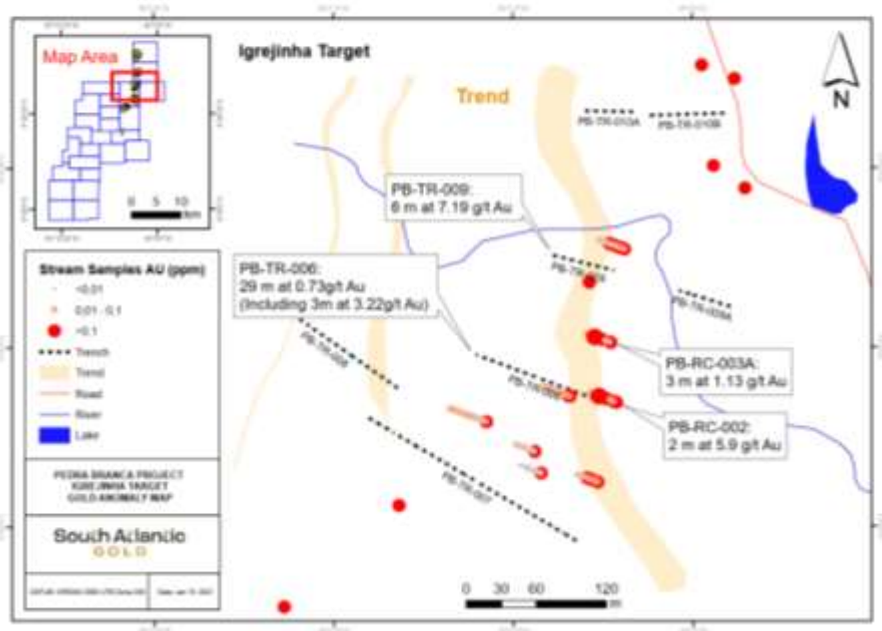
- 1,826 meters ("m") of RC drilling have been completed as of 10 January 2021, resulting in over 1,300 samples. Assay results have been reported for 293 samples to date. The completed program is estimated to consist of 5,800 samples from 5,300 m of drilling.
- More than 7,497 m of trenching has been completed to date, generating more than 3,483 samples and 2,662 assay results.
- Historical drilling validation has been completed in the central area of the tenements at Queimadas and Coelhos targets. Laboratory assay results are pending.
- The Igrejinha target continues to be the main focus of the RC drilling program, with PB-RC-002 returning 1 m grading 5.9 grams per tonne ("g/t") from 22 m depth, and PB-RC-003A intercepting 3 m at 1.13 g/t Au from 5m depth. Trenches at Igrejinha, PB-TR-009 and PB-TR-006 returned 6 m grading 7.19 g/t Au, and 29 m grading 0.73g/t Au (Including 3m at 3.22g/t Au), respectively.
- Mapping and trenching at Bombeiro and Igrejinha has (as press released on 9 December 2020), located new discoveries of mineralization.

Exploration remains on budget at Pedra Branca. South Atlantic's expectation is to use data collected from the current and previous exploration programs to release an NI 43-101 compliant resource estimate. Assay results have been slower than anticipated due to delays at the Brazilian assay laboratories due to the Covid-19 pandemic.

The results of the exploration program to date confirm the mineralization occurring along a highly deformed, folded, and sheared trend with N10E strike, 45SE dip, widths and thicknesses of 2 to 20 meters from the mineralized horizons at Igrejinha, Bombeiro, Condado and Mir-Coelho targets. An orthophoto topographical survey is currently underway.

<u>Igrejinha Target</u>
The Igrejinha target has generated intersections of **27m at 0.73g/t including 3m at 3.22g/t Au (Trench PBTR006)** and **10m at 3.99g/t Au including 1.0m@31.0g/t Au (Trench PBTR009)** (Figure 1).

Two main mineralized trends have been identified including 188m of strike, dipping 45 degrees to the East, and is open in all directions at the Igrejinha target.



(Figure 1)
Maiden RC drilling at Igrejinha intercepted **2m at 5.9 g/t gold** in PB-RC-002 and **3m at 1.13 g/t Au in PBRC003A**.

<u>Mir-Coelho Target</u>
Trenches at the Mir-Coelho target intercepted **13m of 4.45 g/t Au (including 1m at 55.84 g/t Au**). This target was drilled in the past by Jaguar Mining Inc. Re-assays of historical drilling are under laboratory analysis. Further RC drilling will be scheduled once assay results are received.

Pedra Branca Licenses & Permits Update

Pedra Branca is at an advanced stage of the mining concession process with the Brazilian Mining Agency ("Agencia Nacional de Mineração" or "ANM").

Of the 24 tenements, the main targets including Coelhos, Queimadas and Mirador are under mining concession process and are expected to go into an environmental impact study towards the latter part of 2021. The licenses and permits are valid, and the Company is in continuous communication with ANM to ensure that all of the licenses are properly maintained and updated in a timely manner.

See news releases dated July 29, 2020, October 22, 2020 and January 20, 2021 for additional details on drill targets, figures, maps, exploration plans and QA/QC procedures on <u>www.SEDAR.com</u> and the Company's website at: www.southatlanticgold.com

Qualified Person

The scientific and technical information that forms the basis for parts of this MD&A was reviewed and approved by Marcelo Antonio Batelochi (P.Geo.), MAUSIMM (CP), the Company's Exploration Manager who is a Qualified Person "(QP") as defined by National Instrument 43-101.

<u>Outlook</u>

The Company has commenced the recommended Phase 1 RC Drilling program results of which management anticipates will contribute considerably for a better understanding of the geology, structure and controls on the gold mineralization near surface in order to support a second stage exploration program of diamond drilling. The Company will update shareholders as results become available. The Company is currently funded to complete the Earn-In Expenditures pursuant to the Option Agreement, however additional funds will be required to complete any further development including a second phase diamond drill program.

Covid-19
In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic and has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced

significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Expenditures to date on Exploration and Evaluation Assets include:

For the nine months ended November 30, 2020:

	Brazil Pedra Branca	**Canada Bid Kidd**	**Total**
Balance as at February 28, 2020	$ -	$ 1,314,670	$ 1,314,670
Exploration Costs			
Assaying	**17,794**	**-**	**17,794**
Field equipment and supplies	**15,270**	**-**	**15,270**
Fieldwork	**66,724**	**4,200**	**70,924**
Geological	**34,806**	**-**	**34,806**
Camp/Site Costs	**34,855**	**-**	**34,855**
43-101 Technical Report	**22,129**	**-**	**22,129**
IP Survey & Geophysics	**1,584**	**-**	**1,584**
Vehicle, equipment rental & fuel	**47,017**	**-**	**47,017**
Core shack rental	**-**	**2,400**	**2,400**
Travel/Site	**18,489**	**-**	**18,489**
Total Exploration costs	**258,667**	**6,600**	**265,267**
Balance at November 30, 2020	**$ 258,667**	**$ 1,321,270**	**$ 1,579,937**

For the year ended February 29, 2020:

	Bid Kidd
Balance as at February 28, 2019	$ 561,971
Exploration Costs	
Assaying	90,545
Drilling	382,315
Field equipment and supplies	408
Fieldwork	77,952
Geological	96,190
GIS Mapping and reports	1,000
Camp/Site Costs	34,496
Transport, helicopter, rental equipment & fuel	58,495
Travel/Site	11,298
Total Exploration costs	752,699
Balance at February 29, 2020	**$** 1,314,670

Financial Results for the three months ended November 30, 2020 and 2019

The Company has no operating revenues and relies on external financings to generate capital for its continued operations. As a result of its activities South Atlantic continues to incur annual net losses.

For the three months ended November 30, 2020, the Company reported a $261,807 net and comprehensive loss or $0.01 basic and diluted loss per share compared to a $7,675 net comprehensive loss or $0.00 loss per share for the same comparative period ended November 30, 2019. The current period loss was primarily attributed to general and administration costs as described hereinbelow of $103,956 (2019 - $7,315) and share-based payments of $157,644 in connection the grant of stock options.

Financial Results for the nine months ended November 30, 2020 and 2019

For the nine months ended November 30, 2020, the Company reported a $325,630 net and comprehensive loss or $0.01 basic and diluted loss per share compared to a $56,049 net comprehensive loss or $0.00 loss per share for the same comparative period ended November 30, 2019. The current period loss was primarily attributed to general and administration costs as described hereinbelow of $157,213 (2019 - $64,392) and share-based payments of $167,201 (2019 - $Nil) in connection with the grant of 300,000 options offset by interest income of $Nil (2019 – $9,420).

The summary of general and administrative expenditures included:

	Three Months Ended November 30		Nine Months Ended November 30	
	2020	2019	**2020**	2019
Administrative and General Expenses				
Accounting and legal	$ **12,799**	$ 109	$ **14,283**	$ 4,000
Conferences	**-**	-	**-**	621
Consulting	**28,371**	(788)	**51,591**	17,625
Corporate development	**5,000**	-	**5,000**	-
Website, advertising, shareholder communication	**14,178**	625	**17,928**	2,996
Office and administration fees	**35,785**	4,749	**42,043**	20,698
Insurance	**3,018**	-	**9,053**	-
Regulatory fees	**1,145**	-	**7,696**	7,729
Rent	**2,250**	2,250	**6,750**	6,750
Transfer agent fees	**1,119**	370	**2,580**	1,722
Travel	**290**	-	**290**	2,251
	$ **103,956**	$ 7,315	$ **157,213**	$ 64,392

General and administrative expenses saw an overall 144% increase in general and administration costs for the nine months ended November 30, 2020. The increase in expenditures were due to the increase of corporate activities in connection with the recent option on the Pedra Branca project and Concurrent Financing as described hereinabove.

Categories to note included:

Accounting and legal – legal fees increased in connection with the acquisition and set up of Brazil operations.

Consulting fees – the increase in consulting fees was during the current quarter were in connection to the activities in connection with the Acquisition and Concurrent Financing (See Key Management Compensation).

Website, advertising, shareholder communication – in connection with the re-branding and name change of the Company additional expenditures were incurred for updating of website, marketing and advertising fees.

Office and administration – an increase of office and administrative personnel and corporate office expenditures were incurred in relation the acquisition and financing transactions as well as setting up the administrative offices and personnel in Brazil.

Summary of quarterly results

The following is a summary of selected financial data for the Company for the eight most recently completed quarters.

	For the quarters ended			
	November 30 2020	**August 31 2020**	**May 31 2020**	**February 29 2020**
Total interest income	$-	$-	$-	$94
Net loss	($261,807)	(51,425)	(12,399)	(27,135)
Basic and diluted loss per share	($0.01)	($0.00)	($0.00)	($0.00)

	For the quarters ended			
	November 30 2019	August 31 2019	May 31 2019	February 28 2019
Total interest income	$-	$1,378	$8,040	($3,067)
Net loss	($7,675)	($22,409)	($25,968)	($204,230)
Basic and diluted loss per share	($0.00)	($0.00)	($0.00)	($0.01)

Other Significant variances to note included:

During the fourth quarter February 28, 2019 the primary component of the net loss include the write-off of the Little Fort property of $115,781 as described herein. Additionally, the Company recorded share-based payment expenses of $42,684 in connection with the grant of 1,180,000 options.

Liquidity and capital resources

	November 30 2020	February 29 2020
Financial position:		
Cash	**$1,584,893**	$38,737
Working capital	**$1,467,885**	$(44,754)
Total Assets	**$3,225,134**	$1,442,301
Shareholders' equity	**$3,056,749**	$1,279,465

As at November 30, 2020 the Company had a working capital of $1,467,885 (February 29, 2020 – $44,754 deficiency). The increase in working capital was a result of the completion of two private placements for aggregate gross proceeds of $2,000,000.

Additionally, during the period ended November 30, 2020 the Company received a GST refund of $67,565 included in taxes recoverable at February 29, 2020 ($68,391).

The Company also received net proceeds of $21,750 pursuant to the exercise of warrants.

Capital expenditures primarily included $265,267 in exploration expenditures on Pedra Branca as described hereinabove. Additional working capital will be required to further explore the project beyond the earn-in requirements of US$1M.

The recent financings have strengthened the Company’s balance sheet and provided general working capital and the capital to fund the Earn-In Expenditures of US$1,000,000 for the Pedra Branca Property.

Use of Proceeds

Use of Proceeds received from Financing's	**Total**
June 2020	**$250,000**
October 2020	**1,750,000**
Less share issue costs	**(86,036)**
Net proceeds	**1,913,964**
Allocated to Pedra Branca -Exploration expenditures	**(1,299,478)**
Balance to working capital	**$614,486**

The Company anticipates that the net proceeds from the recent financings will be utilized to complete the US$1M (CDN$1,299,478 Ex Avg .76954 as at November 30, 2020) earn-in expenditures and related operating costs in relation to the development of the Pedra Branca Property.

The Company has not yet generated revenue to date and the Company’s activities have been funded through equity financing and the Company expects it will continue to be able to utilize this source of financing until it develops cash flow from future operations for the advancement of exploration and development of its exploration assets.

There can be no assurance that the Company will be successful in its endeavors. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available and can be obtained.

Off balance-sheet arrangements

There are currently no off-balance sheet arrangements and no new information to report since the annual management's discussion and analysis.

Transactions with related parties

a) Key Management Compensation

	November 30 2020	November 30 2019
Key management personnel compensation comprised:		
Consulting fees:	**$60,116**	$25,325
Share based payments:	**387,966**	-
	$60,116	$25,325

i) Consulting fees of $14,000 (2019 – $Nil) were paid or accrued to Douglas Meirelles, the Company's President and CEO of the Company. Mr. Meirelles was appointed as President and CEO effective July 9, 2020.

ii) Consulting fees of $Nil (2019 – $9,750) were paid or accrued to Charlie Cheng, the Company's former President and CEO of the Company. Mr. Cheng resigned as President and CEO effective July 9, 2020 and Mr Meirelles was appointed in his stead.

iii) Consulting fees of $37,591 (2019 – $8,625) were paid or accrued to Minco Corporate Management Inc. ("Minco") a company controlled by Terese Gieselman a director of the Company. Ms Gieselman was appointed CFO effective May 15, 2019.

iv) Administration fees of $8,525 (2019 – $6,950) were paid or accrued to Minco in relation to providing administrative and accounting employment services.

v) Share-based payments are the fair value of options granted to key management personnel.

b) **Related Party Liabilities**

Amounts due to:	**Service for:**	**November 30 2020**	**February 29 2020**
Minco	Consulting Fees	**$7,763**	**$2,550**
Golden Ridge Resources Ltd.[1]	Rent & Expenses	**1,575**	**-**
Total related party payables		**$9,338**	**$2,550**

c) Rent

The Company currently pays Golden Ridge Resources Ltd. rent and expenses on a month to month basis for shared offices space at approximately $750 per month for a total $6,750 as at November 30, 2020 (2019 – $6,750).

Critical Accounting Policies and Estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized in the period of the change, if the change affects that period only, or in the period of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these financial statements are discussed below:

Going Concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgement based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Impairment of Exploration and Evaluation Assets

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company. If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount the Company carries out an impairment test at the cash-generating unit or group of cash-generating unit's level in the year the new information becomes available. Such impairment tests and recoverable value models have a degree of estimation and judgment which may differ in the future.

Valuation of Share-based Payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Mining exploration tax credits

The Company is entitled to refundable tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits and determining an appropriate accrual.

New Accounting Standards Adopted During the Period

The Company has adopted the following new and revised accounting pronouncements:

New Standard IFRS 16 "Leases"

On March 1, 2019 the Company adopted the new standard IFRS 16 which replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing single, on-balance sheet accounting model that is similar to current finance lease accounting, with the limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed.

The adoption of this accounting standard had no impact on the Company's financial statements as the Company does not have any leases.

Financial instruments and other instruments

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board of Directors if and when there are any changes or updates required.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of interest rate and commodity price risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has cash balances and non-interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.
Cash and guaranteed investment certificates are subject to floating interest rates.

The Company as at November 30, 2020, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of the relevant commodities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Foreign Exchange Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar and other foreign currencies will affect the Company's operations and financial results. The Company does not hold significant monetary assets or liabilities in foreign currencies and therefore is not exposed to significant risks arising from the fluctuation of foreign exchange rates. Although the Company's earn-in expenditures are US$1,000,000, funds are advanced in Canadian dollars and expensed in Brazil Real and exchanged to US's for reporting purposes and calculation of earn-in. The Company has utilized a conservative Brazil Real $5 – US$1 (November 30, 2020 - $5.34) in its forecasting and will continue to monitor it closely.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and receivables. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand and receivables are entered into with credit-worthy counterparties.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to endeavour that it will have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. However, circumstances may arise where the Company is unable to meet those goals. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company would prepare annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, when required the Company utilizes authorizations for expenditures on exploration projects to further manage expenditure.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing trade and other accounts payable and option payment commitments. The Company endeavours not to maintain any trade payables beyond a 30-day period to maturity.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The statements of financial position carrying amounts for receivables, and trade and other payables approximate fair value due to their short-term nature.

Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

The fair value of the sale of cash and cash equivalents, has been determined by reference to published price quotations in an active market, a Level 1 valuation.

Capital Management

The Company monitors its common shares, warrants and stock options as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. The Company's capital is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the period ended November 30, 2020.

Outstanding Share Data

South Atlantic's authorized capital is unlimited common shares without par value. As at the date of this report the Company completed the private placement and resulting in 59,066,667 common shares as issued and outstanding as of the date hereof. Additionally, the Company as at the date of this report had the following outstanding options, warrants and convertible securities as follows:

Type of Security	Number	Exercise price	Expiry Date
Stock Options	945,000	$0.07	Dec-17-2023
Stock Options	300,000	$0.05	July 9, 2025
Stock Options	3,755,000	$0.14	Nov-10-25
Share Purchase Warrants	15,136,667	$0.10	Jun-15-2021
Share Purchase Warrants	4,800,000	$0.075	Jun-17-2022
Agent Warrants	215,000	$0.075	Jun-17-2021
Share Purchase Warrants	8,750,000	$0.15	Oct-08-2022
Agent Warrants	676,250	$0.15	Oct-08-2022

Shares in Escrow

As at the date of this report hereof there were no shares held in escrow.

Risks and uncertainties

The Company is in the mineral exploration and development business and as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The industry is capital intensive and is subject to fluctuations in market sentiment, metal prices, foreign exchange and interest rates. There is no certainty that properties which the Company has described as assets on its balance sheet will be realized at the amounts recorded. The only sources of future funds for further exploration programs or, if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the farm-out, of an interest in its properties to be earned by another party carrying out further exploration or development. Although the Company has been successful in accessing the equity market during the past years, there is no assurance that such sources of financing will be available on acceptable terms, if at all.

The Company's subsidiary SAG currently has 10 employees. All other work is carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project. In certain cases where consultants are unable to carry their own insurance the Company includes such individuals under its coverage.

Pursuant to the Company's Option to acquire the Pedra Branca Property located in Brazil the Company is subject to additional risk factors in relation to operating in a foreign jurisdiction which initially include but are not limited to:

Foreign currency risk

The Company's functional currency is the Canadian dollar and it transacts major purchases in Canadian dollars and in connection with the Earn-In Expenditures as described herein will incur expenditures in US$1,000,000 United States dollars translated in most cased to the local Brazilian Reais currency. To fund the Earn-Expenditures the Company will be required to maintain a Brazilian Real-denominated bank account containing sufficient funds to support monthly forecasted cash outflows.

Political stability and government regulations in Brazil

The Company's interests in Brazil that may be affected in varying degrees by political instability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of Brazil. Any changes in regulations or shifts in political conditions are beyond Company's control and may adversely affect its business. Company's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. The Company's operations may also be adversely affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

COVID-19 Pandemic Risk - Brazil

The recent outbreak of COVID-19 has had a significant impact on the volatility of USD/BRL exchange rates, and governmental actions to contain the outbreak may impact our ability to complete our Exploration program. The global pandemic could cause temporary closure of businesses in regions that are significantly impacted by the health crises, or cause governments to take or continue to take preventative measures such as the closure of points of entry, including ports and borders which could impact our ability to staff operations.

Environmental Compliance.

The Company is currently taking all necessary technical and administrative steps to remain compliant with all licensing and permits required during its current Pedra Branca Project Exploration Licenses development stage. In addition, the Company is now required to conduct an Environmental Impact Study specifically to ANM Process 800.334/1995, moving forward into the mining concession stage.

ANM has issued Ordinance 55/2021 suspending all processual deadlines for mineral processes until June 30th, 2021. Time count restarts from July 1st, 2021.

Going Concern

The Company has not generated revenues from its operations to date. These financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company had a net loss of $325,630 (2019 – $56,049), a working capital of $1,467,885 (February 29, 2020 - $44,754 deficiency) and has accumulated a deficit of

$2,706,598 (February 29, 2020 – $2,380,968) since inception. The Company will continue to have to raise funds in order to continue the development of its exploration properties and general operations.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants.

Management cannot provide assurance that the Company will ultimately achieve profitable operations or positive cash flow. The Company's continuation as a going concern is dependent on its ability to attain profitable operations and raise additional capital. These matters indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. The Company's accompanying financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. Such adjustments could be material.

Any forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

Other Requirements

Additional disclosure of the Company's material change reports, news release and other information can be obtained under the Company's profile on SEDAR at www.sedar.com.