



Unaudited Consolidated Condensed Interim Financial Statements of

SOUTH ATLANTIC GOLD INC.

(formerly Jiulian Resources Inc.)

(An Exploration Stage Company)

For the Three and Nine Months Ended November 30, 2020 and 2019

South Atlantic GOLD

SOUTH ATLANTIC GOLD INC. *(formerly Jiulian Resources Inc.)*

(An Exploration Stage Company)

(Expressed in Canadian Dollars)

November 30, 2020 and 2019

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) the accompanying unaudited consolidated condensed interim financial statements of the Company for the three and nine months ended November 30, 2020 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited consolidated condensed interim financial reporting.

The Company's independent auditor has not audited or performed a review of these consolidated condensed interim financial statements, in accordance with standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

For further information please contact:

Douglas Meirelles, CEO or

Terese Gieselman, CFO

(250) 762-5777

South Atlantic Gold Inc (formerly *Jiulian Resources Inc.*)

(An Exploration Stage Company)

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (un-audited)

As at November 30, 2020 and February 29, 2020

(Expressed in Canadian Dollars)

	Note	November 30 2020	February 29 2020
ASSETS			
Current			
Cash and cash equivalents	\$	1,584,893	\$ 38,737
Prepays		44,232	10,954
Taxes recoverable		7,146	68,391
Total current assets		1,636,271	118,082
Non current			
Equipment	5	1,425	2,049
Reclamation bond	7	7,500	7,500
Exploration and evaluation assets	6	1,579,937	1,314,670
Total Assets		\$ 3,225,134	\$ 1,442,301
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	8	168,386	162,836
Shareholders' Equity			
Obligation to issue shares		-	-
Share Capital	9	4,963,820	3,309,675
Contributed surplus	10	799,527	350,758
Deficit		(2,706,598)	(2,380,968)
Total Shareholders' Equity		3,056,749	1,279,465
Total Liabilities and Shareholders' Equity		\$ 3,225,134	\$ 1,442,301

Signed on behalf of the Board of Directors by:

"Douglas Meirelles" Director
 Douglas Meirelles

"Oliver Friesen" Director
 Oliver Friesen

South Atlantic Gold Inc (formerly *Jiulian Resources Inc.*)

(An Exploration Stage Company)

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE
LOSS (un-audited)

For the three and nine months ended November 30

(Expressed in Canadian Dollars)

	Note	Three Months Ended November 30		Nine Months Ended November 30	
		2020	2019	2020	2019
Expenses					
Administrative and general	12	\$ 103,956	\$ 7,315	\$ 157,213	\$ 64,392
Depreciation	5	207	360	623	1,078
Pre-exploration expenditures		-	-	593	-
Share-based payments		157,644	-	167,201	-
Total expenses		(261,807)	(7,675)	(325,630)	(65,470)
Other income and expenses					
Interest income		-	-	-	9,420
Net loss and comprehensive loss for the period		(261,807)	(7,675)	(325,630)	(56,049)
Loss per share for the period - basic and diluted	13	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.00)

South Atlantic Gold Inc

(An Exploration Stage Company)

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (un-audited)

For the nine months ended November 30

Expressed in Canadian Dollars

	Note	Share Capital	Contributed Surplus	Deficit	Total
Balance February 28, 2019		\$ 3,309,957	\$ 350,758	\$ (2,297,781)	\$ 1,362,934
Net loss for the period		-	-	(56,049)	(56,049)
Share issue costs	9	(282)	-	-	
Balance November 30, 2019		\$ 3,309,675	\$ 350,758	\$ (2,353,831)	\$ 1,306,884
	Note	Share Capital	Contributed Surplus	Deficit	Total
Balance February 29, 2020		\$ 3,309,675	\$ 350,758	\$ (2,380,968)	\$ 1,279,465
Net loss for the period		-	-	(325,630)	(325,630)
Share-based payments	10	-	167,201	-	167,201
Shares issued for cash	9	1,760,317	281,568	-	2,041,885
Share issue costs	9	(106,173)	-	-	(106,173)
Balance November 30, 2020		\$ 4,963,820	\$ 799,527	\$ (2,706,598)	\$ 3,056,748

The accompanying notes are an integral part of these consolidated condensed interim financial statements

South Atlantic Gold Inc

(An Exploration Stage Company)

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS (un-audited)

For the nine months ended November 30

(Expressed in Canadian Dollars)

	Note	2020	2019
OPERATING ACTIVITIES			
Loss for the period		\$ (325,630)	\$ (56,049)
Items not affecting cash			
Depreciation	5	623	1,078
Share-based payments	10	167,201	-
Changes in non-cash working capital			
Taxes recoverable		61,245	(44,524)
Prepaid expenses and advances		(33,278)	38,460
Trade and other payables	12	5,550	(516,683)
Cash used in operating activities		(124,290)	(577,719)
INVESTING ACTIVITIES			
Exploration and evaluation asset expenditures	6	(265,267)	(614,271)
Cash used in investing activities		(265,267)	(614,271)
FINANCING ACTIVITIES			
Private placements	9	2,000,000	-
Exercise of warrants	9	21,750	
Share issue costs	9	(86,036)	(282)
Net cash provided by (used in) financing activities		1,935,714	(282)
Increase (decrease) in cash during the period		1,546,157	(1,192,272)
Cash and cash equivalents beginning of period		38,737	1,247,504
Cash and cash equivalents end of period		\$ 1,584,894	\$ 55,233
Composition of cash and cash equivalents			
Cash		\$ 1,584,893	\$ 55,232
Cash equivalents		-	-
Cash and cash equivalents, end of the period		\$ 1,584,893	\$ 55,232

Supplemental cash flow information – Note 15

South Atlantic Gold Inc (formerly *Jiulian Resources Inc.*)

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)

FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

1. CORPORATION INFORMATION

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.

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.

2. BASIS OF PREPARATION AND GOING CONCERN

These consolidated condensed interim financial statements for the three and nine month period ended November 30, 2020 and 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. These consolidated condensed interim financial statements follow the same accounting policies and methods of application of the Company’s most recent annual financial statements. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s 2020 annual financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and Interpretations of the International Financial Reporting Interpretations Committee.

The consolidated condensed interim financial statements were authorized for issue by the Board of Directors on January 22, 2021

These consolidated condensed interim financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value. The consolidated condensed interim financial statements are presented in Canadian dollars (“CDN”), which is the Company’s functional currency. The preparation of consolidated condensed interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these consolidated condensed interim financial statements are disclosed in Note 4.

Going Concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

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.

South Atlantic Gold Inc (formerly Julian Resources Inc.)

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)

FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND GOING CONCERN (cont'd)

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 may cast significant doubt about the Company's ability to continue as a going concern. These 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.

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.

Principles of consolidation

These consolidated condensed consolidated interim financial statements include accounts of the Company and the following subsidiary:

Name of subsidiary	Country of incorporation	Percentage ownership
SOUTH ATLANTIC GOLD BRASIL EXPLORACAO MINERAL LTDA.	Brazil	100%

All intercompany balances and transactions have been eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent and Future Accounting Pronouncements

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

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.

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2020 AND 2019
(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Significant Accounting Judgements, Estimates and Assumptions

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.

5. EQUIPMENT

	Field Equipment	Office Equipment	Total
Cost			
Balance at February 29, 2020 and November 30, 2020	\$ 25,143	\$ 7,643	\$ 32,786
Depreciation and impairment losses			
Balance at February 28, 2019	\$ 24,275	\$ 5,026	\$ 29,301
Depreciation for the period	259	1,177	1,436
Balance February 28, 2020	\$ 24,534	\$ 6,203	\$ 30,737
Depreciation for the period	137	486	623
Balance at November 30, 2020	\$ 24,671	\$ 6,689	\$ 31,360
Carrying amounts			
Carrying value at February 28, 2020	\$ 609	\$ 1,440	\$ 2,049
Carrying value at November 30, 2020	\$ 472	\$ 954	\$ 1,426

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)

FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Brazil		Canada	
	Pedra Blanca		Bid Kidd	
				Total
Balance at February 28, 2019	\$	-	\$	561,971
Exploration costs		-		752,699
Balance at February 29, 2020	\$	-	\$	1,314,670
Exploration costs		258,667		6,600
Balance at November 30 2020	\$	258,667	\$	1,321,270

BRAZIL

Pedra Branca Property

The Company entered into a definitive agreement (the “**Option Agreement**”) with Jaguar Mining Inc. (“**Jaguar**”) effective July 29, 2020 to acquire up to a 100% interest in the Pedra Branca property (the “**Pedra Branca Property**”) tenement package, located in Ceará State, North-eastern Brazil (the “**Acquisition**”)

Consideration for the initial 75% interest in the Pedra Branca Property can be earned through exploration expenditures totalling a minimum of US\$1 million (the “**Earn-In Expenditures**”). South Atlantic can increase its interest to 100% by delivering a NI 43-101 (National Instrument) technical report on the Pedra Branca Property.

Jaguar shall retain a back-in-right to acquire a 24% interest (the “**Back-In-Right**”) wherein upon completion of the Earn-In Expenditures (the “**Earn-In Vesting Date**”) Jaguar shall have 45 days from the Earn-In Vesting Date to exercise its Back-In Right by paying the Company 2.5 times the Earn-In Expenditures incurred by the Company resulting in the Company holding at 51% interest and Jaguar a 49%. In the event Jaguar exercises its Back-in-Right the parties shall form a joint venture (the “**JV**”). In the event any party dilutes their interest below 10%, such interest shall revert to 0.5% NSR (the “**JV NSR**”) of which 0.25% of the JV NSR may be purchased for US\$1 million by the non-diluting party.

The Pedra Branca Property is also subject to underlying royalties to the original vendors which include:

- i. Base Metal – 1.0% on gross revenues over any production for as long as there is effective production and sales;
- ii. Gold Deposit:
 - a. In the case of Measured and Indicated Resources of up to 200,000 Au oz = 0.5% royalty on gross revenues and a US\$500,000 payment due within 3 months after commercial production; and
 - b. In the case of Measured and Indicated Resources in excess 200,000 Au oz = 1.0% royalty on gross revenues and in this scenario 0.5% of the royalty may be purchased for US\$750,000.

The Acquisition among other things was subject to Exchange approval. The Company received Exchange approval on October 14, 2020.

CANADA

Big Kidd Property

The Company on March 30, 2011 pursuant to a purchase agreement (the “**Agreement**”) acquired a 100% interest in the Big Kidd Property, located in British Columbia subject to net smelter royalty of 2.5% (the “**Royalty**”). Upon commencement of commercial production, the Company has the right to purchase a 60% interest in the Royalty for \$500,000 and the remaining 40% Royalty for \$1,000,000 at any time within three years following the commencement of commercial production.

South Atlantic Gold Inc (formerly Jiulian Resources Inc.)

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)

FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Realization

The Company's investment in and expenditures on exploration and evaluation assets comprise a significant portion of the Company's assets. Realization of the Company's investment in the assets is dependent on establishing legal ownership of the property interest, on the attainment of successful commercial production or from the proceeds of its disposal. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interest, and upon future profitable production or proceeds from the disposition thereof.

a. Title

Although the Company has taken steps to ensure the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

b. Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the exploration and evaluation assets, the potential for production on the property may be diminished or negated.

7. RECLAMATION BOND

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company on its Big Kidd property. The reclamation deposits are held with the Minister of Energy and Mines in British Columbia. The reclamation bond includes a guaranteed investment certificate with a maturity date of December 4, 2020 and an interest rate of prime less 2.7%.

8. TRADE AND OTHER PAYABLES

	November 30 2020	February 28 2020
Trade payables	159,048	\$160,286
Due to related parties - Note 13	9,338	2,550
Total	168,386	\$162,836

9. SHARE CAPITAL AND RESERVES

a) Common Shares

The Company's authorized share capital is an unlimited number of common shares with no par value.

The following is a summary of changes in share capital from March 1, 2019 to November 30, 2020:

South Atlantic Gold Inc (formerly *Jiulian Resources Inc.*)

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)

FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2020 AND 2019

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd)**a) Common Shares** (cont'd)

	Number	Issue Price	Total
Balance at February 28, 2019	31,286,667	-	\$ 3,309,957
Share issue costs		-	(282)
Balance at February 29, 2020	31,286,667		3,309,675
Shares issued for private placement	10,000,000	\$0.025	250,000
Shares issued for private placement	17,500,000	\$0.10	1,750,000
Residual value allocated to warrants	-	-	(262,500)
Exercise of warrants	250,000	\$0.075	18,750
Exercise of warrants	30,000	\$0.10	3,000
Fair value of warrants transferred on exercise	-	-	1,067
Share issue costs	-	-	(106,173)
Balance November 30, 2020	59,066,667		\$ 4,963,820

During the period ended November 30, 2020 the Company issued the following:

In connection with the Acquisition as described in Note 6, 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**").

Each Unit consists of one Common Share and one-half of one Common Share purchase warrant (each whole warrant a "**Warrant**"). Each Warrant entitles the holder to acquire one additional Common Share at a price of \$0.15 per share until October 8, 2022, subject to an accelerated expiry in certain circumstances. In the event the closing trading price of the Company's shares is greater than \$0.25 per share for a period of 10 consecutive trading days (the "**Acceleration Event**") the Company will give notice to the Warrant holders of the Acceleration Event and the Warrants will expire 30 days thereafter. In connection with the Concurrent Financing, the Company paid to eligible finders' cash fees totalling \$67,625 and issued an aggregate of 676,250 finders warrants (the "**Finders Warrants**"). Each Finder Warrant entitles the holder to acquire one Common Share at a price of \$0.15 until October 8, 2022, subject to the Acceleration Event. The fair value of the non-cash share issuance costs of \$16,070 for the Agent's Warrants was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: share price on issuance date of \$0.085, exercise price of \$0.15, risk-free interest rate of 0.24%, average projected volatility of 80.89%, dividend yield of nil, average expected life of the options of 2 years and the fair value of the warrants of \$0.09. The Company determined that the shares were issued at a premium of \$0.015 per share based on the share price of \$0.085 on the date of issuance. As such, the residual value of \$262,500 was allocated to the warrants in contributed surplus.

On June 17, 2020 the Company completed a non-brokered private placement (the "**Offering**") and issued 10,000,000 units (a "Unit") of the Company at a price of \$0.025 per unit for gross proceeds of \$250,000. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole warrant a "**Warrant**"). Each Warrant will entitle the holder to acquire one additional common share in the capital of the Company at a price of \$0.075 per share until June 19, 2022, subject to an accelerated expiry. In the event the closing trading price of the Company's shares is greater than \$0.15 per share for a period of 10 consecutive trading days (the "**Acceleration Event**") the Company will give notice to the holders of the Acceleration Event and the Warrants will expire 30 days thereafter. In connection with the Offering the Company issued 315,000 finders warrants ("**Finder Warrant**"). Each Finder Warrant entitles the holder to acquire one additional common share in the capital of the Company at a price of \$0.075 per share until June 17, 2021. The fair value of the non-cash share issuance costs of \$4,066 for the Agent's Warrants was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: share price on issuance date of \$0.045, exercise price of \$0.075, risk-free interest rate of 0.26%, average projected volatility of 126.48%, dividend yield of nil, average expected life of the options of 2 years and the fair value of the warrants of \$0.09.

There were no shares issued during the period March 1, 2019 to February 29, 2020.

South Atlantic Gold Inc (formerly *Jiulian Resources Inc.*)

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(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd)**a) Share Purchase Warrants**

The following is a summary of changes in share purchase warrants from March 1, 2019 to November 30, 2020:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 29, 2020 & 2019	15,166,667	\$0.10
Issued	13,750,000	\$0.12
Exercised	(230,000)	\$0.08
Balance at November 30, 2020	28,686,667	\$0.11

The fair value of \$300 was transferred from contributed surplus to capital stock for the exercise of share purchase warrants.

As at November 30, 2020, 28,686,667 (February 29, 2020 – 15,166,667) share purchase warrants were outstanding and exercisable with a weighted average remaining contractual life of 1.11 (February 29, 2020 – 1.09) years as follow:

Expiry Date	Exercise Price	Number of Warrants
June 15, 2021	\$0.10	15,136,667
June 17, 2022	\$0.075	4,800,000
October 8, 2022	\$0.15	8,750,000
		28,686,667

c) Agents' Warrants

The following is a summary of changes in agents' warrants from March 1, 2019 to November 30, 2020:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 28, 2019	597,521	\$0.10
Expired	(597,521)	\$0.10
Balance, February 29, 2020	-	-
Issued	941,250	\$0.13
Exercised	(50,000)	\$0.075
Balance at November 30, 2020	891,250	\$0.075

The fair value of \$767 was transferred from contributed surplus to capital stock for the exercise of Agents warrants.

As at November 30, 2020, 891,250 (February 29, 2020 – Nil) share purchase warrants were outstanding and exercisable with a weighted average remaining contractual life of 1.54 (February 29, 2020 – Nil) years as follow:

Expiry Date	Exercise Price	Number of Warrants
June 17, 2021	\$0.075	215,000
October 8, 2022	\$0.15	676,250
		891,250

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)

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(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS

Option Plan Details

On July 9, 2020 the directors approved an amendment to its stock option plan subject to the approval by the shareholders of the Company at the annual general meeting of shareholder to be held later this year (the "AGM") and upon receipt of final approval by the TSX Venture Exchange (the "Exchange").

The Company proposes to replace its current 10% fixed plan (the "Prior Plan") with a rolling 10% stock option plan (the "2020 Option Plan"). Under the 2020 Option Plan, the Company may grant options to acquire common shares of the Company equal to 10% of the issued and outstanding shares from time to time subject to the terms and conditions prescribed by the Exchange and applicable securities laws.

Current options outstanding to purchase common shares of the Company granted prior to the amendment will continue to be exercisable and will be governed by and subject to the terms of the 2020 Option Plan.

Pursuant to the 2020 Option Plan, the Company has granted to certain directors of the Company options to purchase an aggregate 300,000 common shares at a purchase price of \$0.05 for a period of five years ("New Options"). To the extent the number of New Options granted exceed the number of options permitted under the Prior Plan, the New Options are subject to Exchange Approval and Disinterested Shareholder Approval (as such term defined in the policies of the Exchange). The New Options and 2020 Option Plan were approved at the Company's AGM held on November 10, 2020 with final acceptance by Exchange received on January 6, 2021.

Options

The following is the summary of changes in options from the period ended March 1, 2019 and November 30, 2020:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2019	1,155,000	\$0.10
Expired	(110,000)	\$0.07
Balance at February 29, 2020	1,045,000	\$0.07
Expired	(100,000)	\$0.05
Granted	4,055,000	\$0.07
Balance, November 30, 2020	5,000,000	\$0.07

As at November 30, 2020, 5,000,000 (February 29, 2020 – 1,045,000) options were outstanding and exercisable with a weighted average remaining contractual life of 3.67 (February 29, 2020 – 3.8) years.

Expiry Date	Exercise Price	Number of Options	Vested and Exercisable	Unvested
December 17, 2023	\$0.07	945,000	945,000	-
July 9, 2025	\$0.05	300,000	300,000	-
November 10, 2025	\$0.07	3,755,000	1,168,333	2,586,667
		5,000,000	2,413,333	2,586,667

a) Fair Value of Options Issued During the Period

During the period ended November 30, 2020, the weighted average fair value at grant date of options granted was \$0.07 per option (2019 - \$Nil). During the period ended November 30, 2020, there were 5,000,000 (2019 – 1,045,000) options granted. As at November 30, 2020, 5,000,000 (2019 – 1,405,000) options were outstanding of which 2,413,333 (2019 – 1,045,000) were exercisable under the Plan with a weighted average contractual life of 4.16 years.

South Atlantic Gold Inc (formerly Julian Resources Inc.)

(An Exploration Stage Company)

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10. SHARE-BASED PAYMENTS (cont'd)b) **Expenses Arising from Share-based Payment Transactions**

The Black-Scholes option pricing model inputs for options granted or vested during period ended November 30, 2020 and 2019 are as follows:

Grant Date	Expiry Date	Share Price	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
9-Jul-20	9-Jul-25	\$0.05	\$0.05	0.32%	5	80.89%	0
10-Nov-20	10-Nov-25	\$0.14	\$0.14	0.45%	5	132.68%	0

b) **Expenses Arising from Share-based Payment Transactions**

Expected volatility is based on the historical volatility of the Company's market share price.

The total fair value of options issued during the period ended November 30, 2020 was \$462,803 (2019 - \$Nil) of which \$167,200 (2019 - \$Nil) has been recorded as a share-based payment expense in the statements of loss with a corresponding increase in contributed surplus. The remaining amount of \$295,602 (2019 - \$Nil) will be expensed as the remaining unvested options vest.

11. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	Three Months Ended		Nine Months Ended	
		November 30 2020	2019	November 30 2020	2019
Administrative and General Expenses					
Accounting and legal		\$ 12,799	\$ 109	\$ 14,283	\$ 4,000
Conferences		-	-	-	621
Consulting	12	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	12	35,785	4,749	42,043	20,698
Insurance		3,018	-	9,053	-
Regulatory fees		1,145	-	7,696	7,729
Rent	12	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

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12. RELATED PARTY TRANSACTIONS**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 (Note 10).

a) 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

b) 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).

13. LOSS PER SHARE

	November 30 2020	November 30 2019
Net loss attributable to ordinary shareholders	(\$325,630)	(\$56,049)
Weighted average number of common shares	40,757,835	31,286,667
Basic and diluted loss per share	(\$0.01)	(\$0.00)

14. SEGMENT REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities in Canada and Brazil. The Company's non-current assets as at November 30, 2020 and February 29, 2020 are in Canada and Brazil.

South Atlantic Gold Inc (formerly *Julian Resources Inc.*)

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)

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15. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the period ended November 30, 2020 and 2019 are the following transactions were excluded from the statements of cash flows:

- i) Included in accounts payable is \$Nil (2019 - \$131,357) of exploration expenditures that are capitalized to exploration and evaluation assets.
- ii) A compensation charge of 16,070 (2019 – \$Nil) associated with the grant of 941,250 (2019 – 105,000) Agent Warrants was recorded as share issue costs (Note 9).