



Unaudited Consolidated Condensed Interim Financial Statements of

**SOUTH ATLANTIC GOLD INC.**

(An Exploration Stage Company)

**For the Three and Nine Months Ended November 30, 2021 and 2020**

**South Atlantic Gold Inc.**  
(An Exploration Stage Company)  
(Expressed in Canadian Dollars)  
November 30, 2021

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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, 2021 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.

(An Exploration Stage Company)

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

As at November 30, 2021 and February 28, 2021

(Expressed in Canadian Dollars)

	Note	November 30 2021	February 28 2021
<b>ASSETS</b>			
Current			
Cash		\$ 292,362	\$ 1,092,370
Prepays		35,214	23,051
Receivables		6,603	11,861
Total current assets		334,179	1,127,282
Non current			
Equipment	5	1,231	792
Reclamation bond	7	7,500	7,500
Exploration and evaluation assets	6	2,697,675	2,250,495
<b>Total Assets</b>		<b>\$ 3,040,585</b>	<b>\$ 3,386,069</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current			
Trade and other payables	8, 13	389,353	471,236
Provision	9	-	14,020
		389,353	485,256
<b>Shareholders' Equity</b>			
Share Capital	10	4,969,866	4,950,241
Contributed surplus	10,11	1,045,341	891,178
Deficit		(3,363,975)	(2,940,606)
Total Shareholders' Equity		2,651,232	2,900,813
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 3,040,585</b>	<b>\$ 3,386,069</b>

Signed on behalf of the Board of Directors by:

"Douglas Meirelles" Director  
Douglas Meirelles

"Adam Davidson " Director  
Adam Davidson

## South Atlantic Gold Inc.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED 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	
		2021	2020	2021	2020
<b>Expenses</b>					
Administrative and general	12,13	\$ 71,036	\$ 103,956	\$ 262,010	\$ 157,213
Depreciation	5	89	207	267	623
Foreign exchange		8,207	-	11,135	-
Pre-exploration expenditures		-	-	-	594
Share-based payments	11	45,012	157,644	154,163	167,201
Total expenses		(124,344)	(261,807)	(427,575)	(325,630)
<b>Other income and expenses</b>					
Interest income		51	-	4,206	-
<b>Net loss and comprehensive loss for the period</b>		<b>(124,293)</b>	<b>(261,807)</b>	<b>(423,369)</b>	<b>(325,630)</b>
<b>Loss per share for the period - basic and diluted</b>	14	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)

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

## South Atlantic Gold Inc.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED 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 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	11	-	167,201	-	167,201
Shares issued for cash	10	1,760,317	281,568	-	2,041,885
Share issue costs	10	(106,173)	-	-	(106,173)
<b>Balance November 30, 2020</b>		<b>\$ 4,963,820</b>	<b>\$ 799,526</b>	<b>\$ (2,706,598)</b>	<b>\$ 3,056,747</b>

	Note	Share Capital	Contributed Surplus	Deficit	Total
Balance February 28, 2021		\$ 4,950,241	891,178	(2,940,606)	2,900,813
Net loss for the period		-	-	(423,369)	(423,369)
Share-based payments	11	-	154,163	-	154,163
Shares issued for cash	10	19,875	-	-	19,875
Share issue cost		(250)	-	-	(250)
<b>Balance November 30, 2021</b>		<b>\$ 4,969,866</b>	<b>\$ 1,045,341</b>	<b>\$ (3,363,975)</b>	<b>\$ 2,651,232</b>

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

## South Atlantic Gold Inc.

(An Exploration Stage Company)

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

For the nine months ended November 30

(Expressed in Canadian Dollars)

	Note	2021	2020
<b>OPERATING ACTIVITIES</b>			
Loss for the period		\$ (423,369)	\$ (325,630)
Items not affecting cash			
Depreciation	5	267	623
Share-based payments	11	154,163	167,201
Changes in non-cash working capital			
Receivables		5,258	61,245
Prepays		(12,163)	(33,278)
Trade and other payables	8	(260,216)	5,550
<b>Cash used in operating activities</b>		<b>(536,060)</b>	<b>(124,290)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of equipment		(706)	-
Recovery of exploration and evaluation asset expenditures		356,757	-
Exploration and evaluation asset expenditures	6	(639,624)	(265,267)
<b>Cash used in investing activities</b>		<b>(283,573)</b>	<b>(265,267)</b>
<b>FINANCING ACTIVITIES</b>			
Private placements	10	-	2,000,000
Exercise of warrants	10	19,875	21,750
Share issue costs	10	(250)	(86,036)
<b>Net cash provided by financing activities</b>		<b>19,625</b>	<b>1,935,714</b>
<b>Increase (decrease) in cash during the period</b>		<b>(800,008)</b>	<b>1,546,157</b>
<b>Cash beginning of period</b>		<b>1,092,370</b>	<b>38,737</b>
<b>Cash end of period</b>		<b>\$ 292,362</b>	<b>\$ 1,584,894</b>

Supplemental cash flow information – Note 16

## South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)  
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2021 AND 2020  
(Expressed in Canadian Dollars)

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### 1. CORPORATION INFORMATION

South Atlantic Gold Inc. (the “**Company**” or “**South Atlantic**”) was incorporated on October 17, 2006 under the laws of British Columbia, Canada. On November 19, 2020, the Company changed its name from Jiulian Resources Inc. to South Atlantic Gold Inc. Effective November 24, 2020, the Company commenced trading on the TSX Venture Exchange (the “**Exchange**”) under the new symbol “**SAO**” as a Tier 2 issuer.

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, 2021 and 2020 and 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 February 28, 2021 annual financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The consolidated condensed interim financial statements were authorized for issue by the Board of Directors on January 28, 2022.

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

The Company has not generated revenues from its operations to date. These consolidated condensed interim 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. For the nine months ended November 30, 2021, the Company had a net loss of \$423,369 (2020 – \$325,630), and as of that date, a working capital deficiency of \$55,174 (February 28, 2021 - \$642,026 working capital) and an accumulated a deficit of \$3,363,975 (February 28, 2021 – \$2,940,606). 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.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)  
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2021 AND 2020  
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### 2. BASIS OF PREPARATION AND CONTINUANCE OF OPERATIONS (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 consolidated condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and statement of consolidated 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.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements within reasonable limits of materiality and within the framework of the significant policies summarized below:

#### Basis of Consolidation

These consolidated financial statements include the accounts of:

	% of ownership	Jurisdiction	Principal Activity
South Atlantic Gold Brasil Exploração Mineral Ltda..	100	Brazil	Exploration

A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements.

## South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)  
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2021 AND 2020  
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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Recent and Future Accounting Pronouncements

##### *IFRS 17 Insurance Contracts*

IFRS 17 *Insurance Contracts* ("IFRS 17") is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts*, and related interpretations. This standard will be effective for the Company's annual period beginning July 1, 2021. The Company has assessed that the impact of IFRS 17 on its consolidated financial statements would not be significant.

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, 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 consolidated 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 judgment 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.

## South Atlantic Gold Inc.

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### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

#### *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.

#### *Recovery of Deferred Tax Assets*

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

### 5. EQUIPMENT

	Field Equipment	Furniture & Fixtures	Total
<b>Cost</b>			
Balance at February 28, 2021	\$25,143	\$7,643	\$32,786
<b>Additions</b>	-	<b>706</b>	<b>706</b>
<b>Balance at November 30, 2021</b>	<b>25,143</b>	<b>8,349</b>	<b>33,492</b>
<b>Depreciation and impairment losses</b>			
Balance at February 29, 2020	24,534	6,203	30,737
Depreciation for the period	183	648	831
Write-off field equipment	426	-	426
Balance February 28, 2021	25,143	6,851	31,994
<b>Depreciation for the period</b>	-	<b>267</b>	<b>267</b>
<b>Balance at November 30, 2021</b>	<b>25,143</b>	<b>7,118</b>	<b>32,261</b>
<b>Carrying amounts</b>			
Carrying value at February 28, 2021	\$-	\$792	\$792
<b>Carrying value at November 30, 2021</b>	<b>\$-</b>	<b>\$1,231</b>	<b>\$1,231</b>

## South Atlantic Gold Inc.

(An Exploration Stage Company)

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FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2021 AND 2020  
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### 6. EXPLORATION AND EVALUATION ASSETS

	Brazil		Total
	Pedra Blanca	Bid Kidd	
Balance at February 29, 2020	\$-	\$1,314,670	\$1,314,670
Exploration costs	914,180	7,625	921,805
Rehabilitation Provision	14,020	-	14,020
Balance at February 28, 2021	<b>928,200</b>	<b>1,322,295</b>	<b>2,250,495</b>
Exploration costs	<b>796,944</b>	6,994	803,938
Recovery of exploration and evaluation asset expenditures	-	(356,757)	(356,757)
<b>Balance at November 30, 2021</b>	<b>\$1,725,144</b>	<b>\$972,532</b>	<b>\$2,697,676</b>

#### **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 (“Au”) 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.

## South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)  
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2021 AND 2020  
(Expressed in Canadian Dollars)

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### 6. EXPLORATION AND EVALUATION ASSETS (cont'd)

#### *BRAZIL (cont'd)*

##### **Pedra Branca Property** (cont'd)

The Acquisition was approved by the Exchange on October 14, 2020.

As at November 30, 2021, the Company incurred \$1,725,144 expenditures on the Pedra Branca Property and had completed the Earn-In Expenditures.

#### **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.

During the period ended November 30, 2021 the Company received a mineral and exploration tax credit refund of \$356,757 for exploration and evaluation expenditures during the years ended February 29, 2020 and February 28, 2019 on the Big Kidd Property.

##### **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.

## South Atlantic Gold Inc.

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### 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 7, 2021 and an interest rate of prime less 2.3%.

### 8. TRADE AND OTHER PAYABLES

	November 30 2021	February 28 2021
Trade payables	\$385,064	\$440,770
Due to related parties - Note 13	4,289	30,466
<b>Total</b>	<b>\$389,353</b>	<b>\$471,236</b>

### 9. REHABILITATION PROVISION

The Company fulfils its site restoration obligations as required when a drill site is abandoned, and accordingly, no discounted present value was calculated due to the expected short-term nature of the obligation. Management will continue to assess asset retirement obligations as future exploration activity is undertaken. As at November 30, 2021, provisions of \$Nil (February 28, 2021 - \$14,020) were recorded.

### 10. 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, 2020 to November 30, 2021

	Number	Issue Price	Total
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	-	-	(119,751)
Balance February 28, 2021	59,066,667		\$4,950,241
<b>Exercise of warrants</b>	<b>265,000</b>	<b>\$0.075</b>	<b>19,875</b>
<b>Share issue costs</b>	<b>-</b>	<b>-</b>	<b>(250)</b>
<b>Balance November 30, 2021</b>	<b>59,331,667</b>	<b>-</b>	<b>\$4,969,866</b>

## South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (un-audited)  
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2021 AND 2020  
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### 10. SHARE CAPITAL AND RESERVES (cont'd)

#### a) Common Shares (cont'd)

During the nine months ended November 30, 2021 the Company issued the following:

Pursuant to the exercise of agents warrants, the Company issued 265,000 common shares at an exercise price of \$0.075 per common share.

During the year ended February 28, 2021, 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. A residual value of \$262,500 was allocated to the Common Share purchase warrants.

In connection with the Concurrent Financing, the Company paid to eligible finders' cash fees totaling \$67,625 and issued an aggregate of 676,250 agent warrants (the "**Agents Warrants**"). Each Agent 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 \$28,882 for the Agents Warrants was estimated using the Black-Scholes option pricing model based on the following 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 173.75%, dividend yield of nil, average expected life of the options of 2 years and the fair value of the warrants of \$0.04.

Additional legal fees, transfer agent and filing fees in the amount of \$13,516 were incurred in connection with the Concurrent Financing.

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 agent warrants ("**Agent Warrant**"). Each Agent 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.



## South Atlantic Gold Inc.

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### 10. SHARE CAPITAL AND RESERVES (cont'd)

#### a) Common Shares (cont'd)

The fair value of the non-cash share issuance costs of \$4,833 for the Agents Warrants was estimated using the Black-Scholes option pricing model based on the following 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 1 year and the fair value of the warrants of \$0.02. Additional legal fees, transfer agent and filing fees in the amount of \$4,895 were incurred in connection with the Offering.

The Company issued 280,000 common shares on the exercise of warrants with exercise prices of \$0.075 and \$0.10. On the exercise of these warrants, \$1,067 was transferred from contributed surplus to share capital.

#### Share Purchase Warrants

The following is a summary of changes in share purchase warrants from March 1, 2020 to November 30, 2021:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 29, 2020	15,166,667	\$0.10
Issued	13,750,000	\$0.12
Exercised	(230,000)	\$0.08
Balance at February 28, 2021	28,686,667	\$0.12
<b>Expired</b>	<b>(15,136,667)</b>	<b>\$0.10</b>
<b>Balance at November 30, 2021</b>	<b>13,550,000</b>	<b>\$0.12</b>

As at November 30, 2021, 13,550,000 (February 28, 2021 – 28,686,667) share purchase warrants were outstanding and exercisable with a weighted average remaining contractual life of 0.75 (February 28, 2021 – 0.86) years as follow:

Expiry Date	Exercise Price	Number of Warrants
June 17, 2022	\$0.075	4,800,000
October 8, 2022	\$0.15	8,750,000
		13,550,000



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### 10. SHARE CAPITAL AND RESERVES (cont'd)

#### c) Agents' Warrants

The following is a summary of changes in agents' warrants from March 1, 2020 to November 30, 2021, 2021:

	Number of Warrants	Weighted Average Exercise Price
Issued	991,250	\$0.13
Exercised	(50,000)	\$0.075
Balance at February 28, 2021	941,250	\$0.075
<b>Exercised</b>	<b>(265,000)</b>	<b>\$0.075</b>
<b>Balance at November 30, 2021</b>	<b>676,250</b>	<b>\$0.15</b>

As at November 30, 2021, 676,250 (February 28, 2021 – 941,250) agent warrants were outstanding and exercisable with a weighted average remaining contractual life of 0.85 (February 28, 2021 – 1.29) years as follow:

Expiry Date	Exercise Price	Number of Warrants
<b>October 8, 2022</b>	<b>\$0.15</b>	<b>676,250</b>

### 11. SHARE-BASED PAYMENTS

#### a) Option Plan Details

On July 9, 2020 the directors adopted a rolling 10% stock option plan further approved by shareholders on October 22, 2021 (the "**Option Plan**") to grant options to directors, senior officers, employees and consultants of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The option price under each option shall not be less than the discounted market price as defined in the policies of the Exchange on the grant date. All options shall vest as specified by the Board of Directors and in accordance with the policies of the Exchange.

The following is the summary of changes in options from the period ended March 1, 2020 November 30, 2021:

	Number of Options	Weighted Average Exercise Price
Balance at February 29, 2020	1,045,000	\$0.07
Expired	(100,000)	\$0.07
Granted	4,055,000	\$0.07
Balance, February 28, 2021	5,000,000	\$0.07
<b>Expired</b>	<b>(200,000)</b>	<b>\$0.07</b>
<b>Balance at November 30, 2021</b>	<b>4,800,000</b>	<b>\$0.07</b>

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### 11. SHARE-BASED PAYMENTS (cont'd)

#### a) Option Plan Details (cont'd)

As at November 30, 2021 2021 the following options were outstanding:

Expiry Date	Exercise Price	Number of Options	Vested and Exercisable	Unvested
December 17, 2023	\$0.07	745,000	745,000	-
July 9, 2025	\$0.05	300,000	300,000	-
November 10, 2025	\$0.14	3,755,000	2,586,667	1,168,333
		4,800,000	3,631,667	1,168,333

As at November 30, 2021 4,800,000 (2020 – 5,000,000) options were outstanding with a weighted average remaining contractual life of 3.63 (3.67) years of which 2,586,667 (2020 – 2,413,333) were exercisable under the Plan with a weighted average contractual life of 3.53 years (2020 – 4.15 years).

#### b) Fair Value of Options Issued During the Period

During the period ended November 30, 2021, the weighted average fair value at grant date of options granted was \$Nil per option (2020 - \$0.07).

#### c) Expenses Arising from Share-based Payment Transactions

There were no options granted during the period ended November 30, 2021 (2020 - 4,055,000). The total fair value of options vested during the period ended November 30, 2021 was \$154,163 (2020 - \$167,201) which has been recorded as a share-based payment expense in the consolidated condensed interim statements of comprehensive loss with a corresponding increase in contributed surplus. The remaining amount of \$66,648 (2020 - \$295,602) will be expensed as the remaining unvested options vest.

The Black-Scholes option pricing model inputs for options granted or vested during the periods ended November 30, 2020 include:

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	130.23%	0
10-Nov-20	10-Nov-25	\$0.14	\$0.14	0.45%	5	132.68%	0

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

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### 12. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	Three Months Ended November 30		Nine Months Ended November 30	
		2021	2020	2021	2020
<b>Administrative and General Expenses</b>					
Accounting and legal		\$ 27,025	\$ 12,799	\$ 43,434	\$ 14,283
Consulting	13	40,459	28,371	103,887	51,591
Corporate development		-	5,000	-	5,000
Website, advertising, shareholder communication		10,666	14,178	43,974	17,928
Office and administration fees	13	(14,329)	35,785	46,250	42,043
Insurance		3,515	3,018	10,488	9,053
Regulatory fees		210	1,145	2,212	7,696
Rent	13	1,500	2,250	6,750	6,750
Transfer agent fees		1,004	1,119	3,943	2,580
Travel		986	290	1,072	290
		\$ 71,036	\$ 103,956	\$ 262,010	\$ 157,213

### 13. RELATED PARTY TRANSACTIONS

#### a) Key Management Compensation

	November 30 2021	November 30 2020
Key management personnel compensation comprised:		
Consulting and administration fees	\$110,680	\$60,116
Share based payments:	128,709	167,201
	\$239,389	\$227,317

During the period ended November 30, 2021 and 2020 the Company paid or accrued the following to key management:

- i) Consulting fees of \$66,500 (2020 – \$14,000) to Douglas Meirelles (“**Meirelles**”) or a company controlled by Meirelles, the Company’s President and CEO. Mr. Meirelles was appointed as President and CEO effective July 9, 2020.
- ii) Consulting fees of \$26,818 (2020 – \$37,591) to Minco Corporate Management Inc. (“Minco”) a company controlled by Terese Gieselmann a director of the Company.
- iii) Administration fees of \$17,362 (2020 – \$8,525) to Minco in relation to providing administrative and accounting employment services.
- iv) Share-based payments are the fair value of options granted or vested to key management personnel (see Note 10).

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### 13. RELATED PARTY TRANSACTIONS (cont'd)

#### b) Related Party Liabilities

Amounts due to:	Service for:	November 30 2021	February 28 2021
Minco	Consulting Fees	\$4,289	\$6,928
Douglas Meirelles	Consulting Fees	-	22,750
Golden Ridge Resources Ltd. <sup>1</sup>	Rent & Expenses	-	788
<b>Total related party payables</b>		<b>\$4,289</b>	<b>\$30,466</b>

#### c) Rent<sup>1</sup>

The Company currently pays Golden Ridge Resources Ltd. (a company with a common officer) 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, 2021 (2020 – \$6,750).

### 14. LOSS PER SHARE

	November 30 2021	November 30 2020
Net loss attributable to ordinary shareholders	(\$423,369)	(\$325,630)
Weighted average number of common shares	59,227,594	40,757,835
Basic and diluted loss per share	(\$0.01)	(\$0.01)

### 15. 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 has non-current assets of which \$972,532 (February 28, 2021 - \$1,322,295) is in Canada and \$1,725,144 (February 28, 2021 - \$928,200) is in Brazil.

### 16. 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 periods ended November 30, 2021 and 2020 are the following transactions were excluded from the statements of cash flows:

- Included in accounts payable is \$163,313 (2020 - \$Nil) of exploration that are capitalized to exploration and evaluation assets; and
- A compensation charge of \$Nil (2020 – \$16,070 associated with the grant of Nil (2020 – 941,250) Agent Warrants was recorded as share issue costs (Note 10).

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### 17. EVENTS AFTER THE REPORTING DATE

#### Private Placement

On December 17, 2021 the Company completed a non-brokered private placement and issued 35,000,000 common shares at an price of \$0.05 for gross proceeds of \$1,750,000 (the “**Offering**”).

In connection with the Offering the Company has paid aggregate finders' fees of \$94,140 in cash and issued 1,882,800 finders warrants (“**Finder Warrant**”). Each Finder Warrant entitles the holder to acquire one additional Common Share at a price of \$0.06 per share until December 17, 2023.

#### Option Grant

On January 5, 2022 the an aggregate 3,560,000 stock options (the “**Options**”) were granted to its directors, officers, consultants and employees of the Company.

The Options are exercisable for a period of five years at a price of \$0.06 per common share in accordance with the terms of the Company’s Option Plan.

On January 22, 2022, 220,000 options at an exercise price of \$0.07 and 675,000 options at an exercise price of \$0.14 expired without exercise.