



SOUTH ATLANTIC GOLD INC.

(An Exploration Stage Company)

For the Years Ended February 28, 2022 and 2021

South Atlantic Gold Inc.

(An Exploration Stage Company)

(Expressed in Canadian Dollars)

February 28, 2022 and 2021

INDEX

Page

Independent Auditors' Report

1 - 3

Consolidated Financial Statements

● Consolidated Statements of Financial Position	4
● Consolidated Statements of Comprehensive Loss	5
● Consolidated Statements of Changes in Shareholders' Equity	6
● Consolidated Statements of Cash Flows	7
● Notes to the Consolidated Financial Statements	8 - 31

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SOUTH ATLANTIC GOLD INC.

Opinion

We have audited the consolidated financial statements of South Atlantic Gold Inc. (the "Company"), which comprise:

- ◆ the consolidated statements of financial position as at February 28, 2022 and 2021;
- ◆ the consolidated statements comprehensive loss for the years then ended;
- ◆ the consolidated statements of changes in shareholders' equity for the years then ended;
- ◆ the consolidated statements of cash flows for the years then ended; and
- ◆ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net and comprehensive loss of \$462,698 during the year ended February 28, 2022 and, as of that date, the Company had an accumulated deficit of \$3,403,304. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 21, 2022

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South Atlantic Gold Inc.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at February 28, 2022 and 2021

(Expressed in Canadian Dollars)

	Note	2022	2021
ASSETS			
Cash		\$ 1,266,730	\$ 1,092,370
Prepays		30,101	23,051
Receivables		9,144	11,861
Total current assets		1,305,975	1,127,282
Prepays	6	52,488	-
Equipment	5	751	792
Reclamation bond	7	7,500	7,500
Exploration and evaluation assets	6	3,326,456	2,250,495
Total Assets		\$ 4,693,170	\$ 3,386,069
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	8, 13	390,854	471,236
Rehabilitation provision	9	12,152	14,020
		403,006	485,256
Shareholders' Equity			
Share capital	10	6,569,586	4,950,241
Contributed surplus	10,11	1,123,882	891,178
Deficit		(3,403,304)	(2,940,606)
Total Shareholders' Equity		4,290,164	2,900,813
Total Liabilities and Shareholders' Equity		\$ 4,693,170	\$ 3,386,069

Signed on behalf of the Board of Directors by:

"Douglas Meirelles"

Douglas Meirelles

Director

"Adam Davidson"

Adam Davidson

Director

South Atlantic Gold Inc.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the Years Ended February 28, 2022 and 2021

(Expressed in Canadian Dollars)

	Note	2022	2021
Expenses			
Administrative and general	12,13	\$ 339,481	\$ 312,245
Depreciation	5	356	831
Foreign exchange		45,889	1,026
Pre-exploration expenditures		-	594
Share-based payments	11	187,976	245,272
Total expenses		(573,702)	(559,968)
Other income and expenses			
Interest income		4,919	756
Write-off of equipment		(436)	(426)
Other income	6	100,000	-
Write-off of trade payable		6,521	-
Net loss and comprehensive loss for the year		(462,698)	(559,638)
Loss per share for the year - basic and diluted	14	\$ (0.01)	\$ (0.01)

South Atlantic Gold Inc.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended February 28, 2022 and 2021

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 year		-	-	(559,638)	(559,638)
Share-based payments	11	-	245,272	-	245,272
Residual value allocated to warrants	10	(262,500)	262,500	-	-
Fair value of warrants transferred on exercise	10	1,067	(1,067)	-	-
Fair value of agents warrants	10	-	33,715	-	33,715
Shares issued for cash	10	2,021,750	-	-	2,021,750
Share issue costs	10	(119,751)	-	-	(119,751)
Balance at February 28, 2021		\$ 4,950,241	891,178	(2,940,606)	2,900,813
Net loss for the year		-	-	(462,698)	(462,698)
Share-based payments	11	-	187,976	-	187,976
Fair value of agents warrants	10	-	48,783	-	48,783
Fair value of warrants transferred on exercise	10	4,055	(4,055)	-	-
Shares issued for cash	10	1,769,875	-	-	1,769,875
Share issue cost	10	(154,585)	-	-	(154,585)
Balance at February 28, 2022		\$ 6,569,586	\$ 1,123,882	\$ (3,403,304)	\$ 4,290,164

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

South Atlantic Gold Inc.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended February 28, 2022 and 2021

(Expressed in Canadian Dollars)

	Note	2022	2021
OPERATING ACTIVITIES			
Loss for the year		\$ (462,698)	\$ (559,638)
Items not affecting cash			
Depreciation	5	356	831
Share-based payments	11	187,976	245,272
Write-off of equipment		436	426
Write-off of trade payable		(6,521)	-
Changes in non-cash working capital			
Receivables		2,717	56,530
Prepays		(7,050)	(12,097)
Trade and other payables	8	(45,267)	126,722
Cash used in operating activities		(330,051)	(141,954)
INVESTING ACTIVITIES			
Purchase of equipment		(751)	-
Rehabilitation provision		(1,868)	-
Recovery of exploration and evaluation asset expenditures		356,757	-
Prepaid exploration expenditures		(52,488)	-
Exploration and evaluation asset expenditures	6	(1,461,312)	(740,127)
Cash used in investing activities		(1,159,662)	(740,127)
FINANCING ACTIVITIES			
Private placements	10	1,750,000	2,000,000
Exercise of warrants	10	19,875	21,750
Share issue costs	10	(105,802)	(86,036)
Net cash provided by financing activities		1,664,073	1,935,714
Increase in cash during the year		174,360	1,053,633
Cash beginning of year		1,092,370	38,737
Cash end of year		\$ 1,266,730	\$ 1,092,370

Supplemental cash flow information – Note 16

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

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 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of Directors on June 21, 2022.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian Dollars, which is the functional currency of the Company and its subsidiary.

The preparation of consolidated 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 the consolidated financial statements, are disclosed in Note 4.

Going Concern

The Company has not generated revenues from its operations to date. These consolidated 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 year ended February 28, 2022, the Company had a net loss of \$462,698 (2021 – \$559,638), and as of that date, an accumulated deficit of \$3,403,304 (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 FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

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

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 consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and consolidated statements 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. To date, there has not been any significant impact.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements:

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 intercompany 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 FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Acquisition Costs

The fair value of all consideration paid to acquire an exploration and evaluation asset is capitalized, including amounts arising under option agreements. Consideration may include cash, loans or other financial liabilities, and equity instruments including common shares and share purchase warrants.

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on property and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, acquisition costs and exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditures and acquisition costs, in excess of estimated recoveries, are written off to profit or loss.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property will be considered to be a mine under development and will be classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties. As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Farm-Out Arrangements

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess accounted for as a gain on disposal.

Equipment

Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Equipment (cont'd)

Recognition and Measurement (cont'd)

Property and equipment are subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Major Maintenance and Repairs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss.

Depreciation

Depreciation is recognized in profit or loss using the declining-balance method over their estimated useful lives. The significant classes of equipment and their declining rates are as follows:

Field equipment	30%
Furniture and fixtures	45%

Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets, are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of Non-Financial Assets (cont'd)

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

Financial Instruments

The Company classified its financial instruments as follows:

Financial Assets	
Cash	Fair value through profit and loss
Financial Liabilities	
Trade and other payables	Amortized cost
Rehabilitation provision	Amortized cost

Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost or fair value through profit or loss. A financial asset is measured at amortized cost if it meets the conditions that i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and iii) is not designated as fair value through profit or loss.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future, it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Subsequent measurement (cont'd)

Financial assets measured at amortized cost ("Amortized Cost")

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- The asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets, is derecognized when:

- The contractual rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Other financial liabilities are non-derivatives and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statements of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables and provision are included in this category and represent liabilities for goods and services provided to the Company prior to the end of the year that are unpaid.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions

Provisions are recognized as liabilities when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur. As at February 28, 2022, the Company had recognized \$12,152 (2021 - \$14,020) for rehabilitation provisions.

South Atlantic Gold Inc.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset only to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new share options are shown in equity as a deduction, net of tax, from the proceeds. Where the Company issued common shares and warrants together as units, value is allocated first to share capital based on the market value of common shares on the date of issue, with any residual value from the proceeds being allocated to the warrants.

Contributed Surplus

Contributed surplus consists of the fair value of stock options and warrants granted since inception, less amounts transferred to share capital for exercised stock options and warrants. If granted options or warrants vest and then subsequently expire or are forfeited, no reversal of contributed surplus is recognized.

Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year. Escrow shares are excluded from the calculation. Diluted earnings per common share is computed by dividing the net income applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. Diluted loss per common share excludes the effects of any instruments that would be anti-dilutive if they were converted.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based Payments

The fair value, at the grant date, of equity-settled share option awards is charged to profit or loss over the period for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the contributed surplus. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The fair value of awards is calculated using the Black-Scholes option pricing model which considers the following factors:

- Exercise price
- Expected life of the award
- Expected volatility
- Current market price of the underlying shares
- Risk-free interest rate
- Dividend yield

Taxes Recoverable

Mineral Tax Credit

The Federal and Provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company records these credits as a reduction of exploration and evaluation assets in the period that the collectability of the tax incentives is reasonably assured. The amount recoverable is subject to review and approval by the taxation authorities.

Foreign Currency Translation

Amounts recorded in foreign currency are translated into Canadian dollars. For monetary assets and liabilities, these are translated at the rate of exchange in effect as at the reporting date, non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities, and revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the exchange rates in effect on the date of the transaction.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss.

Recent and Future Accounting Pronouncements

There have been no accounting pronouncements with significant impact on the Company's consolidated financial statements.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

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.

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.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

5. EQUIPMENT

	Field Equipment	Furniture & Fixtures	Total
Cost			
Balance at February 29, 2020 and February 28, 2021	\$25,143	\$7,643	\$32,786
Additions	-	751	751
Balance at February 28, 2022	25,143	8,394	33,537
Depreciation			
Balance at February 29, 2020	24,534	6,203	30,737
Depreciation for the year	183	648	831
Write-off field equipment	426	-	426
Balance February 28, 2021	25,143	6,851	31,994
Depreciation for the year	-	356	356
Write-off equipment	-	436	436
Balance at February 28, 2022	25,143	7,643	32,786
Carrying amounts			
Carrying value at February 28, 2021	-	792	792
Carrying value at February 28, 2022	\$ -	\$751	\$751

6. EXPLORATION AND EVALUATION ASSETS

	Brazil	Canada	Total
	Pedra Branca	Big 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	928,200	1,322,295	2,250,495
Exploration costs (Note 13)	1,413,047	7,519	1,420,566
Recovery of exploration and evaluation asset expenditures	-	(356,757)	(356,757)
Rehabilitation Provision	12,152	-	12,152
Balance at February 28, 2022	\$2,353,399	\$973,057	\$3,326,456

Included in non-current prepaids is \$52,488 (2021 - \$nil) of prepaid exploration and evaluation expenditures.

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 totaling 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.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

BRAZIL (cont'd)

Pedra Branca Property (cont'd)

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; and
- 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 of 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.

As at February 28, 2022, the Company incurred \$2,353,400 (2021 - \$928,200) expenditures on the Pedra Branca Property and had completed the Earn-In Expenditures. Jaguar did not exercise its Back-In-Right within 45 days from the Earn-In Vesting Date, and no joint venture was formed. The Company now holds 100% interest in the Pedra Branca Property.

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 year ended February 28, 2022, the Company received a mineral and exploration tax credit refund of \$356,757 (2021 - \$Nil) for exploration and evaluation expenditures incurred during the years ended February 29, 2020 and February 28, 2019 on the Big Kidd Property.

Additionally, during the year ended February 28, 2022, the Company received a \$100,000 non-refundable deposit (the “**Deposit**”) in connection with the negotiations of an option on Big Kidd. However, the terms of the agreement did not come to fruition. As such, the Deposit was recorded in the consolidated statement of loss and comprehensive loss as other income.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(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 6, 2022 and an interest rate of prime less 2.4%.

8. TRADE AND OTHER PAYABLES

	February 28 2022	February 28 2021
Trade payables	\$387,863	\$440,770
Due to related parties - Note 13	2,991	30,466
Total	\$390,854	\$471,236

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 February 28, 2022, provisions of \$12,152 (2021 - \$14,020) were recorded.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

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 February 28, 2022:

	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 at February 28, 2021	59,066,667	-	\$4,950,241
Shares issued for private placement	35,000,000	\$0.050	1,750,000
Exercise of warrants	265,000	\$0.075	19,875
Fair value of warrants transferred on exercise	-	-	4,055
Share issue costs	-	-	(154,585)
Balance at February 28, 2022	94,331,667	-	\$6,569,586

During the year ended February 28, 2022, the Company issued the following:

On December 17, 2021, the Company completed a non-brokered private placement and issued 35,000,000 common shares at a 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 ("2021 Agent Warrant"). Each 2021 Agent Warrant entitles the holder to acquire one additional Common Share at a price of \$0.06 per share until December 17, 2023.

The fair value of the non-cash share issuance costs of \$48,783 for the 2021 Agents Warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: share price on issuance date of \$0.05, exercise price of \$0.06, risk-free interest rate of 0.99%, average projected volatility of 107.94%, dividend yield of nil, average expected life of the options of 2 years and the fair value of the warrants of \$0.03.

Additional transfer agent and filing fees in the amount of \$11,662 were incurred in connection with the Offering.

Pursuant to the exercise of agents warrants, the Company issued 265,000 common shares at an exercise price of \$0.075 per common share. On the exercise of these warrants, \$4,055 was transferred from contributed surplus to share capital.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd)

a) Common Shares (cont'd)

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.

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.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd)

a) Common Shares (cont'd)

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.

b) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from March 1, 2020 to February 28, 2022:

	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	\$0.11
Expired	(15,136,667)	\$0.10
Balance at February 28, 2022	13,550,000	\$0.12

As at February 28, 2022, 13,550,000 (2021 – 28,686,667) share purchase warrants were outstanding and exercisable with a weighted average remaining contractual life of 0.50 (2021 – 0.86) years as follows:

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

*Subsequent to February 28, 2022, these warrants expired unexercised.

c) Agents' Warrants

The following is a summary of changes in agents' warrants from March 1, 2020 to February 28, 2022:

	Number of Agents Warrants	Weighted Average Exercise Price
Issued	991,250	\$0.13
Exercised	(50,000)	\$0.08
Balance at February 28, 2021	941,250	\$0.13
Exercised	(265,000)	\$0.08
Issued	1,882,800	\$0.06
Balance at February 28, 2022	2,559,050	\$0.08

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd)

c) Agents' Warrants (cont'd)

As at February 28, 2022, 2,559,050 (2021 – 941,250) agent warrants were outstanding and exercisable with a weighted average remaining contractual life of 1.49 (2021 – 1.29) years as follows:

Expiry Date	Exercise Price	Number of Warrants
October 8, 2022	\$0.15	676,250
December 17, 2023	\$0.06	1,882,800
		2,559,050

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 March 1, 2020 February 28, 2022:

	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
Expired/forfeited	(1,095,000)	\$0.11
Granted	3,560,000	\$0.06
Balance at February 28, 2022	7,465,000	\$0.09

As at February 28, 2022, the following options were outstanding:

Expiry Date	Exercise Price	Number of Options	Vested and Exercisable	Unvested
December 18, 2023	\$0.07	525,000	525,000	-
July 9, 2025	\$0.05	300,000	300,000	-
November 10, 2025	\$0.14	3,080,000	2,136,667	943,333
January 5, 2027	\$0.06	3,560,000	890,000	2,670,000
		7,465,000	3,851,667	3,613,333

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021 (Expressed in Canadian Dollars)

11. SHARE-BASED PAYMENTS (cont'd)

b) Fair Value of Options Issued During the Year

During the year ended February 28, 2022, the weighted average fair value at grant date of options granted was \$0.06 per option (2021 – \$0.11). There were 3,560,000 (2021 – 4,055,000) options granted. As at February 28, 2022, 7,465,000 (2021 – 5,000,000) options were outstanding of which 3,851,667 (2021 – 2,413,333) were exercisable under the Plan with a weighted average contractual life of 3.68 (2021 – 4.32) years.

c) Expenses Arising from Share-based Payment Transactions

The total fair value of options issued during the year ended February 28, 2022 was \$173,390 (2021 - \$466,083) of which \$55,103 (2021 - \$245,272) has been recorded as a share-based payment expense in the consolidated statements of comprehensive loss with a corresponding increase in contributed surplus. The remaining amount of \$118,287 (2021 - \$220,811) will be expensed as the remaining unvested options vest.

The Black-Scholes option pricing model inputs for options granted or vested during the years ended February 28, 2022 and 2021 include:

Grant Date	Expiry Date	Share Price	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
5-Jan-22	5-Jan-27	\$0.06	\$0.06	1.67%	5	115.57%	0
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.

12. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	For the Years Ended February 28	
		2022	2021
Administrative and General Expenses			
Accounting and legal		\$ 67,170	\$ 51,666
Consulting	13	52,934	89,036
Corporate development		-	5,000
Website, advertising, shareholder communication		53,100	28,101
Office and administration fees	13	122,859	93,335
Insurance		14,470	11,423
Regulatory fees		11,806	20,008
Rent	13	9,000	9,000
Transfer agent fees		5,122	4,386
Travel		3,020	290
		\$ 339,481	\$ 312,245

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

a) Key Management Compensation

The Company's related parties include key management personnel and directors. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

Direct remuneration paid to the Company's directors and key management personnel during the years ended February 28, 2022 and 2021 are as follows:

	February 28 2022	February 28 2021
Key management personnel compensation comprised:		
Consulting fees	\$37,303	\$93,936
Administration	90,245	16,438
Share based payments	181,785	206,894
	\$309,333	\$317,268

Included in trade and other payables are amounts due to officers, directors and former officers, directors and related parties for fees and expenses of \$2,991 at February 28, 2022 (2021 - \$30,466).

b) Rent¹

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 \$9,000 for the year ended February 28, 2022 (2021 - \$9,000).

14. LOSS PER SHARE

	February 28 2022	February 28 2021
Net loss attributable to ordinary shareholders	(\$462,698)	(\$559,638)
Weighted average number of common shares	66,253,256	45,284,744
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 exploration and evaluation assets of which \$973,057 (2021 - \$1,322,295) is in Canada and \$2,353,399 (2021 - \$928,200) is in Brazil, reclamation bond of \$7,500 (2021 - \$7,500) located in Canada, equipment of \$751 (2021 - \$792) located in Canada and long-term prepaid exploration expenditures of \$52,488 (2021 - \$nil) located in Brazil.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

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 years ended February 28, 2022 and 2021, the following transactions were excluded from the consolidated statements of cash flows:

- i) Included in accounts payable is \$279,806 (2021 - \$308,400) of exploration that are capitalized to exploration and evaluation assets; and
- ii) A compensation charge of \$48,783 (2021 - \$33,715) associated with the grant of 1,882,800 (2021 - 991,250) Agent Warrants was recorded as share issue costs (Note 10).

17. INCOME TAXES

Taxation in the Company's operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions. There is no tax charge arising for the Company for the years ended February 28, 2022 and 2021. The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

	February 28 2022	February 28 2021
Loss before tax	\$ 462,698	\$ 559,638
Income tax recovery at local statutory rates - 27% (2021 - 27%)	124,928	151,102
Items not deductible for tax purposes	(50,754)	(66,223)
Change in timing differences	124,773	25,333
Impact of foreign tax rates	(63,428)	(9,018)
Under (over) provided in prior years	(103,408)	537
Unused tax losses and tax offsets not recognized	(32,111)	(101,731)
Income tax expense	\$ -	\$ -

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

17. INCOME TAXES (cont'd)

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate sufficient taxable income to utilize its deferred tax assets. The tax effected items that give rise to significant portions of the deferred income tax liabilities at February 28, 2022 and 2021 are presented below:

	February 28 2022	February 28 2021
Deferred tax liability:		
Exploration and evaluation assets	\$ (303,940)	\$ (7,313)
Deferred tax asset:		
Non-capital losses carry-forwards	303,940	7,313
Deferred income tax expense	\$ -	\$ -

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	February 28 2022	February 28 2021
Non-capital losses	\$ 1,958,800	\$ 1,652,482
Property and equipment	32,433	32,078
Share issue costs	145,019	86,267
Asset retirement obligation		14,020
Total	\$ 2,136,252	\$ 1,784,847

As at February 28, 2022, the Company has available losses that may be carried forward to apply against future years' income for income tax purposes. The approximate Canadian non-capital losses expire as follows:

Year of Expiry	Taxable Losses
2027	\$ 14,000
2028	95,000
2029	85,000
2030	126,000
2031	189,000
2032	166,000
2033	111,000
2034	90,000
2035	93,000
2036	61,000
2037	55,000
2038	57,000
2039	146,000
2040	90,000
2041	302,000
2042	155,000
Indefinite	2,093,000
Total	\$ 3,928,000

The potential benefits of these carry-forward non-capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that there will be sufficient future taxable profit to utilize the deferred tax assets.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 consolidated 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 is subject to floating interest rates.

Credit Risk

The Company, as at February 28, 2022 and 2021, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be not significant.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

General Objectives, Policies and Processes (cont'd)

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, United States dollar and Brazil Real and other foreign currencies will affect the Company's operations and financial results.

Foreign exchange risk

The functional currency of the parent and its subsidiaries is C\$. A portion of the Company's operating expenses are in Brazil Real.

As at February 28, 2022, the Company has not entered into contracts to manage foreign exchange risk.

The Company is exposed to foreign exchange risk through the following assets and liabilities:

	February 28 2022	February 28 2021
Cash	\$154,322	\$318,170
Accounts payable and accrued liabilities	(279,806)	(305,827)
	\$(125,484)	\$12,343

As at February 28, 2022, with other variables unchanged, a 5% increase or decrease in value of the Brazil Real against the currencies to which the Company is normally exposed (C\$) would result in an increase or decrease of approximately C\$6,700 to the net loss for the year ended February 28, 2022.

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 to not maintain any trade payables beyond a 30-day period to maturity.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

General Objectives, Policies and Processes (cont'd)

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 consolidated statements of financial position carrying amounts for trade and other payables and rehabilitation provision 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.

19. 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 year ended February 28, 2022.