



Management Discussion and Analysis

For the Three Months Ended November 30, 2021

The following management's discussion and analysis ("MDA") has been prepared as of January 28, 2022 and should be read in conjunction un-audited consolidated condensed interim financial statements for the three and nine months ended November 30, 2021 and the comparative period November 30, 2020. The consolidated condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards and all numbers are reported in Canadian dollars, unless otherwise stated. References throughout the report we refer to **South Atlantic**, the "**Company**", "**we**", "**us**", "**our**" or "**its**". All these terms are used in respect of South Atlantic Gold Inc. and/or its wholly owned subsidiaries. Further information on the Company is available on SEDAR at www.sedar.com. Information is also available on the Company's website at www.southatlanticgold.com. Information on risks associated with investing in the Company's securities is contained in this MD&A.

All amounts stated are in Canadian dollars unless otherwise stated.

Cautionary Statement on Forward-Looking Information

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

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

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

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation

to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

Overview Performance and Operations

South Atlantic Gold Inc. (the “**Company**”) was incorporated on October 17, 2006 under the laws of British Columbia, Canada under the laws of British Columbia, Canada. On November 19, 2020, the Company changed its name from Julian 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 “**SAG**” as a Tier 2 issuer on November 24, 2020.

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

As at the date of this report South Atlantic Gold has the following wholly owned subsidiaries:

Name of Subsidiary	Jurisdiction
SOUTH ATLANTIC GOLD BRASIL EXPLORACAO MINERAL LTDA (“ SAG ”)	Brazil

Corporate

On January 5, 2022 the Company accepted Mr. Antenor’s resignation as director and member of the audit committee. Mr. Rick Brown and Mr. Bill O’Hara were appointed to the board of directors to fill the vacancy as well as increase the number of directors from six members to seven.

Rick Brown

With over 30 years of management and operational experience in the junior mining industry, Mr. Brown will provide additional geologic and operational guidance to South Atlantic. He has been based in Latin America since 1993 in Peru, Argentina, Brazil and Colombia. He is credited with the outcrop discovery of the El Hilarico gold project (1 million ounces) in Peru, negotiating the acquisition of Newmont Argentina SA for Aquiline Resources, which included the Navidad silver project (750 million ounces), and the acquisition of the Mara Rosa gold project (1.5 million ounces) in Brazil. He is a former director of Peruvian Metals Corp. He is an active investor in several listed (both TSX and ASX) junior explorers and developers. Mr. Brown holds a BAppSc degree in Geology from Curtin University of Technology, Australia, an MBA from Business School Sao Paulo, Brazil and is a Fellow of the Society of Economic Geologists (SEG). He speaks fluent Spanish and Portuguese.

Bill O’Hara

Mr. O’Hara is currently Managing Partner of LACG Capital Inc. He started his career at First Marathon Securities in equity research analyzing gold companies. After moving into the institutional equity sales role at National Bank Financial and then Credit Suisse First Boston, he joined Haywood Securities Inc. in 2003. During his time at Haywood, Mr. O’Hara advanced to become Managing Director and Head of Equity Sales and a member of the Board of Directors. In late 2020, after almost 25 years identifying, analyzing capital raising and strategically advising both investment funds and corporate entities across many sectors, he formed LACG Capital Inc. whose mandate is to provide capital markets advisory services to both public and private companies in the early stages of growth. Sectors of focus include Mining and Psychedelics as well as Special Situations. Mr. O’Hara holds a Master of Science (Econs) degree from the London School of Economics with distinction, and the CFA designation.

Technical Advisory Committee

The Company has established a Technical Advisory Committee to be chaired by Mr. Rick Brown. Mr. S. Mitchel Wasel and Marc Leduc directors of the Company and Mr. Jonathan Victor Hill will join Mr. Brown as members of the committee.

Mr. Jonathan Hill is currently Senior Advisor at Jaguar Mining Inc. Mr. Hill has over 30 years' experience in global exploration, mining operational and project development in Africa, Australia and North and South America. He was directly involved in the discovery of several world-class projects while at AngloGold Ashanti Limited. His experience includes exploration, development, due diligence, corporate development, mine geology and coordination/liaison with mine planning and reporting of mineral reserves and resources. Mr. Hill is Chairman of the Board of Royal Road Minerals Limited and a director of Stratabound Minerals Corporation. His private company, Exploration Outcomes Ltda provides exploration advisory services to international client companies. He holds a BSc (Hons) degree in Economic Geology from the University of Cape Town and a BAppSc degree in Applied Geology from the Queensland University of Technology.

Compensation Committee

The Company also established a Compensation Committee to be chaired by Mr. Marc Leduc and will include Mr. Adam Davidson and Mr. Bruce Higson-Smith all independent directors of the Company.

Audit Committee

Mr. Bill O'Hara has been appointed to the Audit Committee joining Mr. Marc Leduc and Mr. Adam Davidson as members.

Projects and Exploration

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 a 100% interest in the Big Kidd project located in British Columbia and a 100% interest in the Pedra Branca project in Brazil.

****This report may contain information about adjacent properties on which South Atlantic has no right to explore or mine. Readers are cautioned that mineral deposits on adjacent properties are not indicative of mineral deposits on the Company's properties.***

Qualified Persons

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

Pedra Branca - Brazil

On June 11, 2021, the Company completed the Earn-In Expenditures and acquired a 75% interest in the Pedra Branca Project.

On June 28, 2021 the Company completed its maiden resource pursuant to National Instrument ("NI") 43-101 technical report standards dated April 25, 2021 and entitled "*Mineral Resource Estimation for the Pedra Branca Gold Project Ceará State – Brazil*" authored by Rodrigo Mello, FAusIMM of RBM Consultoria Mineral Belo Horizonte, Brazil (the "**2021 – NI 43-101 Report**") and is filed under the Company's profile on the SEDAR website at www.sedar.com.

The inferred resource was completed by the consolidation of historical drilling and Phase 1 Reverse Circulation ("RC") drilling results with an average depth of 41.2 meters ("m").

Highlights include:

- Completed **100% earn-in** of the Pedra Branca Project (“Pedra Branca” or the “Project”) from Jaguar Mining Inc. (“Jaguar”) through the delivery of the NI 43-101-compliant technical report.
- Maiden mineral resource:
 - A total of 10,523 samples were included in the resource calculation before the cut-off date of February 19th, 2021. As such, all remaining 8,188 (43% additional samples) were not included in the resource and are considered only as exploration results.
 - Inferred mineral resource includes:
 - Oxide: 900,000 tonnes (“t”) grading 1.35 grams per tonne (“g/t”) gold (“Au”) for 39,000 oz Au
 - Fresh: 3,142,000 t grading 1.40 g/t Au for 141,000 oz Au
 - Total: 4,042,000 t grading 1.38 g/t Au for 180,000 oz Au
 - Over 39 mineralized N20E/40SE zones were individualized, along a 12km strike length with an average thickness of 4 m, over the 3 main targets: Igrejinha, Coelhos-Queimadas and Mirador.
 - The Phase I RC drilling was completed to an average depth of 41.2 m. From the historical drilling, higher grades have been reported from deeper intercepts with a total of 93 historical Diamond Drilling (“DD”) holes also included in the maiden resource calculation.

See news release dated June 28, 2021 for additional details of the inferred resource outlined in the 2021-NI 43-101 Report filed on www.SEDAR.com and the Company’s website at: www.southatlanticgold.com

Pedra Branca Licenses & Permits Update

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

Of the 24 tenements, the main targets including Coelhos, Queimadas and Mirador are under mining concession process and are expected to go into an environmental study which will be on-going until production is achieved. All the licenses and permits are valid, and the Company is in continuous communication with ANM to ensure that all of the licenses are properly maintained and continuously updated in a timely manner.

Outlook

Despite the world-wide COVID-19 pandemic, the Company was able to complete the Phase I exploration program on budget and on time, complete the Earn-In Expenditures and deliver the 2021 – NI 43-101 Report and acquire a 100% interest in the Pedra Branca property. The Company is currently working to complete the required government processes to transfer the Company’s interest in the Pedra Branca to South Atlantic Gold’s subsidiary in Brazil.

The Big Kidd Property

The Big Kidd Project consists of 4,056 hectares (“ha”) accessed by paved highway (Highway 5A) from Merritt, BC and 250 km northeast of Vancouver, BC. The property is crosscut by logging roads, a powerline runs adjacent to the BK Breccia deposit and there is a custom mill at the historic Craigmont Mine (30 km to the north). In total, the infrastructure at Big Kidd is excellent. While the project is 100% owned by the Company, there is a 2.5% net smelter return royalty with full buy-back rights. The exploration target at the Big Kidd property is alkali porphyry type copper-gold deposit.

Exploration

During the recent quarter, the Company completed an initial review of the historical data to perform a re-analysis of the drilling data with consideration to increased copper prices. Analysis of the historical Induced Polarization (“IP”) and Diamond Drill (“DD”) data has revealed an area of geologic interest at the Big Kidd Project area. **See news release of June 18, 2021 for additional details on www.SEDAR.com and the Company’s website at: www.southatlanticgold.com**

Outlook

The Company’s technical team is currently working on an exploration plan and budget as funds permit to further explore this asset and/or reviewing the merits of a joint venture partner.

Additional details on the results reported from the 2019 program including assay results, maps and figures including the Company’s QA/QC methods please refer to the news releases June 18, 2021, March 21, 2019, April 15, 2019 and May 23, 2019 all of which can be found on the Company’s website and filed under the Company’s profile on www.SEDAR.com.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic and has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Expenditures to date on Exploration and Evaluation Assets include:

For the nine months ended November 30, 2021 include:

	Brazil	Canada	
	Pedra Blanca	Bid Kidd	Total
Balance as at February 28, 2021	\$ 928,200	\$1,322,295	\$ 2,250,495
Exploration Costs			
Assaying	133,685	-	133,685
Drilling	39,233	-	39,233
Field equipment and supplies	18,662	-	18,662
Fieldwork	180,040	200	180,240
Geological	60,262	1,949	62,211
Camp/Site Costs	81,202	-	81,202
Community relations	82,301	-	82,301
GIS mapping	80,331	1,080	81,411
IP Survey & Geophysics	9,572	-	9,572
Vehicle, equipment rental & fuel	93,425	1,940	95,365
Core shack rental	-	1,825	1,825
Travel/Site	18,232	-	18,232
Total Exploration costs	796,944	6,994	803,937
Recovery of exploration and evaluation asset expenditures	-	(356,757)	(356,757)
Balance at November 30, 2021	\$ 1,725,144	\$ 972,532	\$ 2,697,675

For the year ended February 28, 2021 include:

	Brazil Pedra Branca	Canada Bid Kidd	Total
Balance as at February 28, 2020	\$ -	\$ 1,314,670	\$ 1,314,670
Exploration Costs			
Assaying	69,490	-	69,490
Drilling	226,428	-	226,428
Field equipment and supplies	36,271	-	36,271
Fieldwork	200,297	4,200	204,497
Geological	79,650	-	79,650
Camp/Site Costs	69,582	1,000	70,582
Community relations	40,369	-	40,369
43-101 Technical Report	33,530	-	33,530
IP Survey & Geophysics	11,117	-	11,117
Land taxes and fees	6,029	-	6,029
Vehicle and equipment rental & fuel	112,283	-	112,283
Core shack rental	-	2,425	2,425
Travel/Site	29,134	-	29,134
Total Exploration costs	914,180	7,625	921,805
Provision	14,020	-	14,020
Balance at February 28, 2021	\$ 928,200	\$ 1,322,295	\$ 2,250,495

Financial Results for the three months ended November 30, 2021 and 2020

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

For the three months ended November 30, 2021, the Company reported a \$124,293 net and comprehensive loss or \$0.00 basic and diluted loss per share compared to a \$261,807 or \$0.01 loss per share for the same comparative period ended November 30, 2020. The primary component of the current period loss was general and administration costs of \$71,038 (2020 - \$103,956) offset by interest income of \$51 (2020 - \$Nil). Additional expenses in the current period ended November 30, 2021 included share-based payments of \$45,012 (2020 - \$157,655) in connection with vesting of options and grant of stock options in the prior period.

Financial Results for the nine months ended November 30, 2021 and 2020

For the nine months ended November 30, 2021, the Company reported a \$423,369 net and comprehensive loss or \$0.01 basic and diluted loss per share compared to a \$325,630 or \$0.01 loss per share for the same comparative period ended November 30, 2020. The primary component of the current period loss was general and administration costs of \$262,010 (2020 - \$157,213) offset by interest income of \$4,206 (2020 - \$Nil). Additional expenses included share-based payments of \$154,163 (2020 - \$167,201) in connection with vesting of options and grant of stock options in the prior period.

The summary of general and administrative expenditures included:

	Three Months Ended November 30		Nine Months Ended November 30	
	2021	2020	2021	2020
Administrative and General Expenses				
Accounting and legal	\$ 27,025	\$ 12,799	\$ 43,434	\$ 14,283
Consulting	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	(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	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

General and administrative expenses saw increase in general and administration costs for the nine months ended November 30, 2021 and recorded a decrease for the current quarter in comparison to the prior periods. The increase in expenditures were due to the increase of corporate activities and an increase in administration costs related to the wholly owned Brazilian subsidiary and operations of same in connection with the Pedra Branca project in Brazil.

Categories to note included:

Accounting and legal – legal fees increased in connection with the operations of the Brazilian subsidiary and corporate activities within the parent company.

Consulting fees – increase in consulting fees from comparative period relates to key management compensation (see related party transactions)

Website, advertising, shareholder communication – the increase in costs included consulting fees for investor relations, news release dissemination and website updates not incurred in the prior comparative period due to limited activity.

Office and administration – during the quarter certain general and administrative costs were reclassified to exploration and evaluation expenditures for site management costs.

Insurance – saw a slight increase in insurance premiums on the renewals of the company directors and officers liability and general liability policies in connection with an overall general increase of premiums in the current global climate.

Regulatory and transfer agent fees – the prior comparative period included the initial filing fees for the acquisition of the Pedra Branca project.

Summary of quarterly results

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

	For the quarters ended			
	November 30 2021	August 31 2021	May 31 2021	February 28 2021
Total interest income	\$51	\$339	\$3,816	\$756
Net loss	(\$124,293)	(\$129,068)	(\$170,008)	(\$234,007)
Basic and diluted loss per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)

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

Other Significant variances to note included:

During the fourth quarter February 28, 2021, the Company reported a loss of \$234,007, or \$0.00 loss per share. The primary component of the current loss included general and administrative costs of \$155,032 and share-based payment expense for vested options of \$78,071 during the period.

For the three months ended November 30, 2020, the Company reported a \$261,807 net and comprehensive loss or \$0.01 basic and diluted loss which was primarily attributed to general and administration costs as described hereinbelow of \$103,956 and share-based payments of \$157,644 in connection the grant and vesting of stock options during the period.

Liquidity and capital resources

	November 30 2021	February 28 2021
Financial position:		
Cash	\$292,362	\$1,092,370
Working capital	\$(55,174)	\$ 656,046
Total Assets	\$3,040,585	\$3,386,069
Shareholders' equity	\$2,651,232	\$2,900,813

As at November 30, 2021 the Company had a working capital deficiency of \$55,174 (February 28, 2021 – \$656,046).

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.

Proceeds raised from the Offering will be used to further the Company's Pedra Branca Project in Brazil and for general working capital purposes.

Phoenix Gold Fund Limited ("**Phoenix**") of Kuala Lumpur, Malaysia, acquired 10,000,000 Shares of the Offering for consideration of \$500,000. Subsequent to the closing of the Offering Phoenix beneficially owns or controls 10,000,000 common shares of the Company representing 10.6% of the issued and outstanding common shares of the Company on a non-diluted basis. Prior to the Offering, Phoenix did not beneficially own or control any securities of the Company.

Phoenix acquired the securities for investment purposes. Phoenix may, in the future, participate in financings and/or acquire or dispose of securities of the Issuer in the market, privately or otherwise, subject to a number of factors, including general market conditions and other available investment and business opportunities.

A copy of Phoenix's early-warning report will be filed under South Atlantic's profile on SEDAR and may also be obtained by contacting Phoenix's office at admin@aimskl.com.

Certain Insiders of the Company participated in the Offering for an aggregate amount of 220,000 Common Shares. Such participation is considered a related party transaction within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The related party transaction will be exempt from minority approval, information circular and formal valuation requirements pursuant to the exemptions contained in Sections 5.5(a) and 5.7(1)(a) of MI 61-101, as neither the fair market value of the gross securities to be issued under the Private Placement nor the consideration to be paid by the insiders will exceed 25% of the Company's market capitalization.

During the period ended November 30, 2021 the Company received a mining exploration tax credit cash refund of \$356,757 for exploration and evaluation expenditures during the years ended February 2020 and 2019.

A further net proceeds of \$19,625 was also recorded pursuant to the exercise of 265,000 agent warrants and \$0.075 per common share purchased.

Capital expenditures primarily included \$639,624 in exploration expenditures on Pedra Branca and Bid Kidd as described hereinabove which included completing the balance of the Earn-In Expenditures of US\$1M for the Pedra Branca Property. The recent completion of the Offering as described herein has strengthened the Company's current treasury however additional working capital will be required to complete further exploration programs at Pedra Branca and Big Kidd.

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

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

Off balance-sheet arrangements

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

Transactions with related parties

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) were paid or accrued 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) were paid or accrued to Minco Corporate Management Inc. (“Minco”) a company controlled by Terese Gieselmann a director of the Company.
- iii) Administration fees of \$17,363 (2020 – \$8,525) were paid or accrued 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.

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. ¹	Rent & Expenses	-	788
Total related party payables		\$4,289	\$30,466

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 \$6,750 as at November 30, 2021 (2020 – \$6,750).

Critical Accounting Policies and Estimates

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

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

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

Going Concern

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

Impairment of Exploration and Evaluation Assets

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

Valuation of Share-based Payments

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

Mining exploration tax credits

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

Recent and Future Accounting Pronouncements

Future Accounting Standards

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.

Financial instruments and other instruments

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

- Market Risk
- Credit Risk
- Liquidity Risk

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

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

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

The Company, as at November 30, 2021, does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Commodity Price Risk

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

Foreign Exchange Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar, United States dollar and Brazil Real and other foreign currencies will affect the Company's operations and financial results. The Company does not hold significant monetary assets or liabilities in foreign currencies and therefore is not exposed to significant risks arising from the fluctuation of foreign exchange rates.

Liquidity Risk

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

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

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

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The statements of financial position carrying amounts for 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.

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

Capital Management

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

method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met. The Company's capital is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the period ended November 30, 2021.

Outstanding Share Data

South Atlantic's authorized capital is unlimited common shares without par value. As at the date of this report 94,331,667 common shares as issued and outstanding as of the date hereof. Additionally, the Company as at the date of this report had the following outstanding options, warrants and convertible securities as follows:

Type of Security	Number	Exercise price	Expiry Date
Stock Options	525,000	\$0.07	Dec-17-2023
Stock Options	300,000	\$0.05	July 9, 2025
Stock Options	3,080,000	\$0.14	Nov-10-25
Stock Options	3,650,000	\$0.06	Jan-5-2027
Share Purchase Warrants	4,800,000	\$0.075	Jun-17-2022
Share Purchase Warrants	8,750,000	\$0.15	Oct-08-2022
Agent Warrants	676,250	\$0.15	Oct-08-2022
Agent Warrants	1,882,800	\$0.06	Dec-17-23

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.

On December 17, 2021 1,882,800 agent warrants at an exercise price of \$0.06 expiring on December 17, 2023 were issued in connection with the Offering as describe hereinabove.

Shares in Escrow

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

Risks and uncertainties

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

The Company's subsidiary SAG currently has 11 employees. All other work is carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project. In certain cases where consultants are unable to carry their own insurance the Company includes such individuals under its coverage.

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

Political stability and government regulations in Brazil

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

COVID-19 Pandemic Risk - Brazil

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

Environmental Compliance.

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

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

Going Concern

The Company has not generated revenues from its operations to date. The Company's condensed consolidated 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.

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

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

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

Other Requirements

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