**Management Discussion and Analysis**

**For the Three Months ended May 31, 2023**

The following management's discussion and analysis ("**MD&A**") has been prepared as of July 24, 2023 and should be read in conjunction with the un-audited condensed consolidated interim financial statements for the three months ended May 31, 2023 and comparative period May 31, 2022 and related notes which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. 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; 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 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 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

### Tucano, Brazil

On July 5, 2023 the Company announced pursuant to the Judicial Reorganization Process ("**Processo de Recuperação Judicial**") of Mina Tucano Ltda., Beadell (Brazil) Pty Ltd., and Beadell (Brazil 2) Pty Ltd., it was granted the opportunity to investigate and potentially negotiate the acquisition of the Tucano Gold Mine ("**Tucano**"), being the only exchange listed company to have officially filed interest into the Processo de Recuperação Judicial.

**Tucano Gold Mine Highlights:**

- Located in the state of Amapá, Brazil, Tucano is hosted on a ~197,285-hectare land package in the prospective Vila Nova Greenstone Belt of the Guyana Shield
- Initially brought into production in 2005 as a conventional open pit and heap leach operation
- The operation was expanded in 2013, including the construction of 3.5 Mtpa CIL processing facility.
- The mine produced an average of ~130 koz Au per annum from 2014-2020 at an average AISC of US$1,100/oz
  - Produced ~120 koz Au during each of 2018, 2019 and 2020
  - Produced ~80 koz Au and ~60 koz Au in 2021 and 2022, respectively
  - Over 1 Moz Au produced to date
- The mine was purchased by Great Panther Mining Limited ("**Great Panther**") in mid-2019
  - Substantial work completed to date, including ~22,000 m of drilling by Great Panther from 2020 to 2022
- Most recent publicly available technical report (as defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects) filed on SEDAR by Great Panther on June 8, 2022 and having an effective date of July 31, 2021[1] outlined:
  - Proven and Probable Reserves: 12.8 Mt at 1.59 g/t Au for 656 koz Au
  - Measured and Indicated Resources (Inclusive of Reserves): 28.4 Mt at 1.43 g/t Au for 1,303 koz Au
  - Inferred Resources: 6.8 Mt at 2.37 g/t Au for 518 koz Au

- All required exploration and mining permits are in place
- All required nearby and onsite key infrastructure (roads, power, mine supply, plant, tailings facility) are in place
- Operated through a wholly owned Brazilian subsidiary that subsequently entered the Processo de Recuperação Judicial in September 2022. The Tucano mine was placed on care and maintenance in February 2023 due to (i) unanticipated mine resequencing caused by pit wall instability, leading to the mining and processing of satellite pits and low grade stockpiles, resulting in higher stripping costs, and lower grades and recoveries; (ii) various other operational issues including but not limited to accelerated capital spending on the tailings facility, accelerated spending on the advancement of the underground project, contractor and equipment availability during the pandemic, and inflationary pressures; and (iii) ability to service corporate and local debt and creditors
- Assuming that South Atlantic is successful in its potential acquisition of Tucano, the Company plans to keep operations on care and maintenance for a period of approximately 2-3 years in order to update and expand open pit mineral resources and complete an updated feasibility study on the open pit mine – to ensure successful operations on a restart of mining

Pursuant to the terms of the of the Processo de Recuperação Judicial, South Atlantic has filed and has been accepted with priority to evaluate and potentially negotiate with the creditors of Tucano a restructuring of the outstanding debt of Tucano. In accordance with the terms of the process, South Atlantic has the right to terminate negotiations at any time should negotiations with the creditors of Tucano fail to advance or if the Company is not satisfied, in its sole discretion, with the results of its negotiations or its review due diligence of Tucano. There can be no assurances that a transaction involving South Atlantic and Tucano will be consummated.

Over the coming weeks, South Atlantic, in consultation with advisors and qualified persons, plans to advance its investigation and potentially advance with the proceedings of the legal process in Brazil, including potential negotiations with the creditors of Tucano. This timeline is indicative and may change or be delayed as determined by legal process.

**Advisor**
The Company has appointed Haywood Securities Inc. as its exclusive financial advisor in connection with the potential acquisition.

**Qualified Person's Statement**
The scientific and technical information that forms the basis for parts of this report 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 NI 43-101.

*[1]Please refer to Great Panther's technical report entitled "TECHNICAL REPORT ON THE 2021 MINERAL RESERVES AND MINERAL RESOURCES OF THE TUCANO GOLD MINE, AMAPÁ STATE, BRAZIL", dated June 7, 2022 with an effective date of July 31, 2021, and available on Great Panther's profile on www.sedar.com*

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

## Private Placement

On July 11, 2023 the Company commenced a non-brokered private placement offering (the "**July Offering**") for gross proceeds of up to $510,000. The July Offering will consist of up to 8.5 million common shares of the Company at a price of $0.06 per Common Share.

The proceeds of the Offering will be used to advance the Company's due diligence on its proposed acquisition of the Tucano Gold Mine in Brazil, as described hereinabove, and for general corporate purposes.

Insiders of the Company, including certain directors are expected to participate in the Offering. Accordingly, the Offering 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 Offering will be exempt from minority shareholder approval, and formal valuation requirements of MI 61-101 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 Common Shares nor the consideration to be paid for the Common Shares, insofar as it involved related parties will exceed 25% of the Company's market capitalization. As the material change report relating to the completion of the Offering will be filed on SEDAR less than 21 days before the completion of the Offering, there is a requirement under MI 61–101 to explain why the shorter period is reasonable or necessary in the circumstances. In the Company's view, the shorter period is reasonable and necessary in the circumstances because the related parties and the Company wished to complete the Offering in a fashion that resulted in the invested funds being received directly by the Company in a timely manner such that the funds could be accessed immediately by the Company to advance its ongoing due diligence activities.

The Offering is subject to the receipt of all regulatory approvals including the approval of the TSX Venture Exchange. All securities issued under the Offering will be subject to a hold period expiring four months and one day from the date hereof.

The Offering is expected to close on or about July 31, 2023, or such other date as determined by the Company.

## 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

Pursuant to an option agreement the Company acquired a 100% interest (subject to certain underlying royalties to the original vendors) in the Pedra Branca Property by completing exploration expenditures totaling a minimum of US$1 million and by delivering a National Instrument ("**NI**") 43-101 technical report 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**") which is filed under the Company's profile on the SEDAR website at www.sedar.com that outlined the Company's maiden inferred resource.

The inferred resource outlined in the 2021- NI 43-101 Report 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").

***2023 - Exploration & Outlook***

***Outlook***

The Company currently holds a dominant strategic tenement package at Pedra Branca with a potential mineral endowment. When South Atlantic commenced its Phase II Exploration Program there were 4 main targets, including 3 with initial defined mineral resources and as result of the Phase II Exploration Program has produced positive results which have allowed the Company to expand its pipeline of priority targets to a new total of 13 targets. With limited funding, the Company's team has efficiently delivered the new targets in areas that were never explored before while fulfilling the Company's legal obligations with respect to keeping the tenement package in good standing. With no more near-term obligations attached to the tenement portfolio, the Company is well placed to focus on progressing the priority targets through the next important exploration phases toward further discoveries. The Company will required additional funding in order to complete any further exploration work for 2023.

**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 ("**NSR**") royalty with full buy-back rights. The exploration target at the Big Kidd property is alkali porphyry type copper-gold deposit.

Effective November 4, 2022 the Company entered into an option agreement (the "**Option**"), further amended on January 4, 2023 ("**First Amendment**") and February 28, 2023 ("**Second Amendment**") to divest its 100% interest of the Big Kidd Project, British Columbia, to Quetzal Copper Limited ("**Quetzal**"), a British Columbia corporation for a total consideration of $4.8 million in option and milestone payment and a 2% net smelter royalty ("**NSR**") upon completion of the required milestones. The Company has received to date $50,000 in payments pursuant to the terms of the Option, First and Second Amendment agreements. *(See news releases of November 10, 2022, January 11, 2023 and March 3, 2023 for further details)*

***Expenditures to date on Exploration and Evaluation Assets include:***

| | **Brazil**<br>**Pedra Branca** | **Bid Kidd** | **Total** |
|---|---|---|---|
| Balance as at February 28, 2023 | $ 3,125,172 | $ 967,782 | $ 4,092,954 |
| **Exploration Costs** | | | |
| Field equipment and supplies | **304** | **-** | **304** |
| Fieldwork | **6,362** | **-** | **6,362** |
| Camp/Site Costs | **327** | **-** | **327** |
| Community relations | **4,044** | **-** | **4,044** |
| Core shack rental | **-** | **450** | **450** |
| Travel/Site | **20,423** | **-** | **20,423** |
| **Total Exploration costs** | **31,460** | **450** | **31,910** |
| **Option payment received** | **-** | **(30,000)** | **(30,000)** |
| **Balance at May 31, 2023** | **$ 3,156,632** | **$ 938,232** | **$ 4,094,864** |

***Prior Year Expenditures as at February 28, 2023 include:***

| | Brazil<br>Pedra Branca | Canada<br>Bid Kidd | Total |
|---|---|---|---|
| Balance as at February 28, 2022 | $ 2,353,399 | $ 973,057 | $ 3,326,456 |
| **Exploration Costs** | | | |
| Assaying | **37,533** | **-** | **37,533** |
| Drilling | **67,960** | **-** | **67,960** |
| Field equipment and supplies | **15,544** | **-** | **15,544** |
| Fieldwork | **350,193** | **-** | **350,193** |
| Camp/Site Costs | **29,604** | **-** | **29,604** |
| Community relations | **71,790** | **-** | **71,790** |
| GIS mapping | **1,860** | **-** | **1,860** |
| IP Survey & Geophysics | **61,432** | **-** | **61,432** |
| Vehicle and equipment rental & fuel | **49,787** | **10,950** | **60,737** |
| Core shack rental | **-** | **3,775** | **3,775** |
| Travel/Site | **86,070** | **-** | **86,070** |
| Total exploration costs | 771,773 | 14,725 | 786,498 |
| Option payment received | - | (20,000) | (20,000) |
| Balance at February 28, 2023 | $ 3,125,172 | $ 967,782 | $ 4,092,954 |

***Financial Results for the three months ended May 31, 2023***

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 May 31, 2023 the Company reported a $232,603 net and comprehensive loss or $0.00 basic and diluted loss per share compared to a $92,913 or $0.00 loss per share for the same comparative period ended May 31, 2022. The primary component of the current period loss was general and administration costs of $94,670 (2022 - $78,274) and share-based payments of $140,423 (2022 - $32,780) in connection with the grant and vesting of stock options and the grant of DSU's and RSU's. Additionally, the Company recorded a gain of $2,589 on foreign exchange (2022 - $15,663). Further, the Company recorded interest income of $606 (2022 - $599).

The summary of general and administrative expenditures included:

| | **2023**<br>**$** | 2022<br>$ | **Variance**<br>**$** |
|---|---|---|---|
| Accounting and legal | **4,252** | 11,619 | **(7,367)** |
| Wages & benefits | **54,467** | 23,501 | **30,966** |
| Consulting | **19,331** | 10,601 | **8,730** |
| Website, advertising, shareholder communication | **626** | 8,282 | **(7,656)** |
| Office and administration fees | **10,257** | 15,220 | **(4,963)** |
| Insurance | **2,879** | 4,115 | **(1,236)** |
| Rent | **3,100** | 1,875 | **1,225** |
| Transfer agent fees | **758** | 822 | **(64)** |
| Travel | **-** | 239 | **(239)** |
| | **95,670** | 76,274 | **19,396** |

General and administrative expenses saw an overall 25% increase in expenditures noting the following significant variances:

*Wages and benefits – the increase in costs relates to the recording of wages for the CEO (see related party disclosure)*

*Consulting fee – the increase was a result of the reallocation of consulting fees in prior period allocated allocated to exploration and evaluation expenditures to administration for personnel in Brazil.*

*Website, advertising, shareholder communication – the decrease in cost relates to a reduction in marketing consultants engaged.*

*Rent – the increase in rent relates to additional office space secured effective April 2023 at $800 per month in addition to the head office location (see related party disclosure).*

***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 | | | |
|---|---|---|---|---|
| | **May 31 2023** | **February 28 2023** | **November 30 2022** | **August 31 2022** |
| Total interest income | **$608** | **$236** | $832 | $1,838 |
| Net loss | **(232,995)** | **(199,680)** | (110,717) | (120,184) |
| Basic and diluted loss per share | **($0.00)** | **($0.00)** | ($0.00) | ($0.00) |

| | For the quarters ended | | | |
|---|---|---|---|---|
| | **May 31 2022** | **February 28 2022** | **November 30 2021** | **August 31 2021** |
| Total interest income | $599 | $713 | $51 | $339 |
| Net loss | ($92,913) | ($39,329) | ($124,293) | ($129,068) |
| Basic and diluted loss per share | ($0.00) | ($0.00) | ($0.00) | ($0.00) |

***Liquidity and capital resources***

| | **May 31 2023** | **February 28 2023** |
|---|---|---|
| **Financial position:** | | |
| Cash | **$92,835** | **$18,634** |
| Working capital | **$(136,508)** | **$(252,222)** |
| Total Assets | **$4,259,301** | **$4,170,826** |
| Shareholders' equity | **$4,015,492** | **$3,885,262** |

As at May 31, 2023 the Company had a working capital deficiency of $136,508 (February 28, 2023 – $252,222).

Capital expenditures primarily included $175,308 in exploration expenditures on Pedra Branca as described hereinabove. Additional working capital will be required to complete further exploration programs at Pedra Branca. The Company anticipates the closing of the Quetzal Option on or before July 29, 2023 and receipt of a further $140,000 in cash payments.

On March 21, 2023 the completed a non-brokered private placement financing wherein the Company issued 5,100,000 common shares (the "**Shares**") at a price of $0.05 for gross proceeds of $255,000 (the "**Offering**").

In connection with the Offering the Company has paid aggregate finders' fees of $12,000 in cash and issued 240,000 finders warrants ("Agent Warrants"). Each Agent Warrant entitles the holder to acquire one additional Common Share at a price of $0.055 per share until March 21, 2025.

The fair value of the non-cash share issuance costs of $5,457 for the Agent Warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: share price on issuance date of $0.04, exercise price of $0.055, risk-free interest rate of 3.75%, average projected volatility of 123.4%, dividend yield of nil, average expected life of the options of 2 years and the fair value of the warrants of $0.02.

Additional transfer agent and filing fees in the amount of $5,198 were incurred in connection with the Offering.

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**

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 thre months ended May 31, 2023 and 2022 are as follows:

| | **May 31 2023** | **May 31 2022** |
|---|---|---|
| Key management personnel compensation comprised: | | |
| Wages | **33,799** | - |
| Consulting fees | **9,878** | 34,413 |
| Administration | **3,608** | 1,913 |
| Share-based payments | **164,541** | 27,670 |
| | **211,825** | 63,995 |

**Rent**

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 $500 per month effective May 1, 2022 ($750 per month previously) for a total $6,500 for the year ended February 28, 2023 (2022 – $9,000).

**Related Party Liabilities**

| Amounts due to: | Service for: | May 31 2023 | February 28 2023 |
|---|---|---|---|
| Minco | Consulting Fees | **$6,135** | $6,364 |
| Douglas Meirelles | Wages | **45,500** | 46,618 |
| Golden Ridge Resources Ltd. | Rent & Expenses | **1,500** | $52,982 |
| **Total related party payables** | | **$53,135** | |

***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 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.

***Recent and Future Accounting Pronouncements***

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

***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, 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 May 31, 2023 and February 28, 2023, 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.

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 functional currency of the parent and its subsidiaries is Canadian dollars. A portion of the Company`s operating expenses are in Brazilian Real.

As at May 31, 2023, 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:

| | **May 31 2023** | **February 28 2023** |
|---|---|---|
| Cash | **$1,201** | **$752** |
| Accounts payable and accrued liabilities | **(83,426)** | **(96,044)** |
| | **(82,225)** | **$(95,292)** |

As at May 31, 2023, with other variables unchanged, a 5% increase or decrease in value of the Brazilian Real against the currencies to which the Company is normally exposed to Canadian dollars would result in an increase or decrease of approximately $4,111 (income) (February 28, 2023 - $4,764 loss) to the net loss for the period ended May 31, 2023.

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.

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 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.

## 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 May 31, 2023.

### *Outstanding Share Data*

South Atlantic's authorized capital is unlimited common shares without par value. As at the date of this report 99,431,662 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, share purchase warrants and agent warrants as follows:

*Agents Warrants*

| Expiry Date | Exercise Price | Number of Warrants |
|---|---|---|
| **December 17, 2023** | **$0.06** | **1,882,800** |
| **March 21, 2025** | **$0.055** | **240,000** |
| | | **2,122,800** |

*Stock Options*

| Expiry Date | Exercise Price | Number of Options | Vested and Exercisable | Unvested |
|---|---|---|---|---|
| **December 18, 2023** | **$0.07** | **355,000** | **355,000** | **-** |
| **July 9, 2025** | **$0.05** | **300,000** | **300,000** | **-** |
| **November 10, 2025** | **$0.14** | **2,490,000** | **2,490,000** | **-** |
| **January 5, 2027** | **$0.06** | **3,460,000** | **1,680,000** | **1,780,000** |
| **May 11, 2028** | **$0.05** | **1,810,000** | **1,357,500** | **452,500** |
| | | **8,415,000** | **6,182,500** | **2,232,500** |

*DSU's*

| Number of DSUs | Weighted average grant date fair value per DSU |
|---|---|
| 2,360,000 | $0.045 |
| | |

*RSU's*

| Number of RSUs | Weighted average grant date fair value per RSU |
|---|---|
| 180,000 | $0.045 |
| | |

***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 2 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:

Global Economy Risk

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business

While it cannot be assured, the Company expects reduced forward-impact of COVID-19 as relates to the mining sector to generally be in-line with normalization of its effects within the broader business sector during 2023 and beyond.

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.

Environmental Compliance.

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

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

Going Concern

The Company has not generated revenues from its operations to date. These 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 three months ended May 31, 2023, the Company had a net loss of $232,995 (2022 – $92,913), and as of that date, an accumulated a deficit of $4,159,793 (February 28, 2023 – $3,926,798). 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.