



Unaudited Condensed consolidated interim Condensed Interim Financial Statements of

SOUTH ATLANTIC GOLD INC.

(An Exploration Stage Company)

For the Three and Six Months Ended August 31, 2023 and 2022

South Atlantic Gold Inc.

(An Exploration Stage Company)

(Expressed in Canadian Dollars)

August 31, 2023 and 2022

INDEX

Page

Notice to Readers	1
Financial Statements	
• Condensed Consolidated Interim Statements of Financial Position (un-audited)	2
• Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (un-audited)	3
• Condensed Consolidated Statements of Changes in Shareholders' Equity (un-audited)	4
• Condensed Consolidated Interim Statements of Cash Flows (un-audited)	5
• Condensed Consolidated Interim Notes to the Financial Statements (un-audited)	6-20

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) the accompanying unaudited condensed consolidated interim condensed interim financial statements of the Company for the three and six months ended August 31, 2023 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed consolidated interim condensed interim financial reporting.

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

For further information please contact:

Douglas Meirelles, CEO or

Terese Gieselman, CFO

(250) 762-5777

South Atlantic Gold Inc.

(An Exploration Stage Company)

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

As at August 31, 2023 and February 28, 2023

(Expressed in Canadian Dollars)

	Note	August 31 2023	February 28 2023
ASSETS			
Current			
Cash		\$ 286,905	\$ 18,634
Prepays		4,271	2,420
Receivables		12,223	12,288
Total current assets		303,399	33,342
Non current			
Equipment	5	1,945	2,144
Reclamation bond	7	7,500	7,500
Prepays and deposits	6	121,106	34,886
Exploration and evaluation assets	6	4,215,567	4,092,954
Total Assets		4,649,517	\$ 4,170,826
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	8, 13	291,848	285,564
Shareholders' Equity			
Subscriptions	10	-	15,000
Share Capital	10	7,410,538	6,569,586
Contributed surplus	10,11	1,389,393	1,227,474
Deficit		(4,442,262)	(3,926,798)
Total Shareholders' Equity		4,357,669	3,885,262
Total Liabilities and Shareholders' Equity		\$ 4,649,517	\$ 4,170,826

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)

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

For the three and six months ended August 31

(Expressed in Canadian Dollars)

	Note	Three Months Ended August 31		Six Months Ended August 31	
		2023	2022	2023	2022
Expenses					
Administrative and general	12,13	\$ 71,633	\$ 46,734	\$ 112,836	\$ 99,507
Corporate development	10	105,500	-	105,500	-
Wages & benefits	12	65,176	32,982	119,643	56,483
Depreciation	5	100	121	199	242
Foreign exchange		24,807	9,404	22,218	(6,259)
Share-based payments	11	16,039	32,780	156,462	65,560
Total expenses		(283,255)	(122,021)	(516,858)	(215,533)
Other income and expenses					
Interest income		786	1,838	1,394	2,437
Net loss and comprehensive loss for the period		\$ (282,469)	(120,183)	\$ (515,464)	(213,096)
Loss per share for the period basic and diluted	14	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)

South Atlantic Gold Inc.

(An Exploration Stage Company)

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

For the six months ended August 31

Expressed in Canadian Dollars

	Note	Share Capital	Contributed Surplus	Deficit	Total
Balance at February 28, 2022		\$6,569,586	\$1,123,882	-\$3,403,304	\$4,290,164
Net loss for the period		-	-	(213,096)	(213,096)
Share-based payments	11	-	65,560	-	65,560
Balance at August 31, 2022		6,569,586	1,189,442	(3,616,400)	4,142,628

	Note	Share Capital	Subscriptions	Contributed Surplus	Deficit	Total
Balance at February 28, 2023		\$6,569,586	\$15,000	\$1,227,474	\$ (3,926,798)	\$ 3,885,262
Net loss for the period		-	-	-	(515,464)	(515,464)
Private placement	10	767,040	(15,000)	-	-	752,040
Share issue costs	10	(30,088)	-	-	-	(30,088)
Fair value of agents warrants				5,457	-	5,457
Shares issued for advisory fees	10	104,000				104,000
Share-based payments	11	-	-	156,462	-	156,462
Balance at August 31, 2023		\$7,410,538	\$0	\$1,389,393	\$ (4,442,262)	\$4,357,669

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

South Atlantic Gold Inc.

(An Exploration Stage Company)

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

For the six months ended August 31

(Expressed in Canadian Dollars)

	Note	2023	2022
OPERATING ACTIVITIES			
Loss for the period		\$ (515,464)	\$ (213,096)
Items not affecting cash			
Fair value of agent warrants		5,457	
Depreciation	5	199	242
Share-based payments	10,11	260,462	65,560
Changes in non-cash working capital			
Receivables		65	(6,384)
Prepays		(1,851)	(37,157)
Trade and other payables	8	69,643	(588,115)
Cash used in operating activities		(181,489)	(778,950)
INVESTING ACTIVITIES			
Purchase of equipment		-	(1,798)
Prepaid exploration expenditure		(86,220)	
Recovery of exploration expenditures	6	40,000	-
Exploration and evaluation asset expenditures	6	(225,972)	(189,155)
Cash used in investing activities		(272,192)	(190,953)
FINANCING ACTIVITIES			
Subscriptions received		(15,000)	-
Private placement	10	767,040	-
Share issue costs	10	(30,088)	-
Net cash provided by financing activities		721,952	-
Decrease in cash during the period		268,271	(969,903)
Cash beginning of period		18,634	1,266,730
Cash end of period		\$ 286,905	\$ 296,827

Supplemental cash flow information – Note 15

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022 (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 (Note 6) and an option to earn-in to the Pedra Branca project in Brazil.

2. BASIS OF PREPARATION AND GOING CONCERN

These condensed consolidated interim financial statements for the three and six month period ended August 31, 2023 and 2022 and have been prepared in accordance with IAS 34 Interim Financial Reporting. These condensed consolidated interim financial statements follow the same accounting policies and methods of application of the Company’s most recent annual financial statements. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s February 28, 2023 annual financial statements which have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”), as issued by the International Accounting Standards Board (“**IASB**”).

The condensed consolidated interim condensed interim financial statements were authorized for issue by the Board of Directors on October 27, 2023.

These condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

The preparation of condensed consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

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 six months ended August 31, 2023, the Company had a net loss of \$515,464 (2022 – \$213,096), and as of that date, an accumulated a deficit of \$4,442,262 (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.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022 (Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND CONTINUANCE OF OPERATIONS (cont'd)

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

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

3. BASIS OF CONSOLIDATION

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary South Atlantic Gold Brasil Exploração Mineral Ltda.

All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing these condensed consolidated interim financial statements.

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 condensed consolidated interim 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.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022 (Expressed in Canadian Dollars)

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

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.

5. EQUIPMENT

	Furniture & Fixtures
Cost	
Balance at February 28, 2022	\$8,394
Additions	1,798
Balance at February 28, 2023	10,192
Additions	-
Balance at August 31, 2023	10,192
Depreciation and impairment losses	
Balance at February 28, 2022	7,643
Depreciation for the period	405
Balance February 28, 2023	8,048
Depreciation for the period	199
Balance at August 31, 2023	8,247
Carrying amounts	
Carrying value at February 28, 2023	\$2,144
Carrying value at August 31, 2023	\$1,945

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022 (Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Brazil Pedra Branca	Big Kidd	Total
Balance at February 28, 2022	\$2,353,399	\$973,057	\$3,326,456
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
Exploration costs	159,913	2,700	162,613
Option payment received	-	(40,000)	(40,000)
Balance at August 31, 2023	\$3,285,085	\$930,482	\$4,215,567

Included in non-current prepaids is \$121,106 (February 28, 2023 - \$30,952) 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**”).

Pursuant to the Option Agreement the Company has acquired a 100% interest in the Pedra Branca Property by completing exploration expenditures totalling a minimum of US\$1 million and delivering a National Instrument 43-101 (“**NI 43-101**”) technical report on the Pedra Branca Property (delivered) subject to underlying royalties to the original vendors which include:

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

CANADA

Big Kidd Property

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

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022
(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd)

CANADA (cont'd)

Big Kidd Property (cont'd)

Effective November 4, 2022 the Company entered into an option agreement, 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 and a 2% net smelter royalty (“**NSR**”) upon completion of the required milestones (the “**Transaction**”).

Option Terms

Cash Payments

- Cash payments of \$10,000 within 10 days of November 4, 2022 and January 4, 2023, (pursuant to the First Amendment) totalling \$20,000 (received);
- Cash payments of \$20,000 within 10 days of February 28, 2023 pursuant to the Second Amendment (received);
- A cash payment totalling \$130,000 to South Atlantic, subject to undertaking of equity financing for aggregate gross proceeds of at least \$500,000 to be completed on or prior to January 3, 2023 (the “**Qualifying Financing**”) by Quetzal (balance due on or before May 29, 2023 subject to Quetzal completing a Qualifying Financing*.
- \$200,000 per year on or before the 1st, 2nd, 3rd and 4th anniversary of the option signing date (November 4th, 2022);
- At the 5-year anniversary of the signing, Quetzal will make a cash payment of \$350,000 or if Quetzal is publicly listed on a recognized stock exchange in North America it may elect to issue common shares with a market value of \$350,000 to South Atlantic;

*As at August 31, 2023 Quetzal had not completed the Qualifying Financing on or before May 29, 2023, under the terms of the Second Amendment the parties agreed to a further 60 day period for Quetzal to complete the Qualifying Financing wherein Quetzal shall pay to the Company an additional \$10,000 per each 30 day period as further consideration (\$20,000 received).

Subsequent to August 31, 2023 Quetzal effective September 26, 2023 completed the Qualifying Financing and closed the Transaction and the Company received the balance of the Commitment Amount of \$130,000.

Further Milestone payments

- Following the completion of 40,000 meters of drilling at Big Kidd, Quetzal will make a payment of \$300,000 in cash or shares, at its election (if listed on a recognized stock exchange in North America);
- Following the filing of a Pre-Feasibility Study on Big Kidd, Quetzal will make a cash payment of \$1,200,000 in cash or shares, at its election (if listed on a recognized stock exchange in North America);
- Following the filing of a Feasibility Study on Big Kidd, Quetzal will make a payment of \$2,000,000 (if listed on a recognized stock exchange in North America);

Net Smelter Royalty

- South Atlantic Gold will retain a net smelter royalty of 2% over asset, of which 1% may be bought back by Quetzal for \$2 million. In the event that there is a third party offer for such 1% royalty, Quetzal will retain a right of first refusal to purchase the royalty on terms no less favourable than the third party offer to South Atlantic. The remaining 1% royalty will be at South Atlantic’s discretion.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022 (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.

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.

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 5, 2023 and an interest rate of prime less 2.7%.

8. TRADE AND OTHER PAYABLES

	August 31 2023	February 28 2023
Trade payables	\$270,495	\$232,582
Due to related parties (Note 12)	21,353	52,982
Total	\$291,848	\$285,564

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022 (Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

a) Common Shares

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

	Number	Issue Price	Total
Balance at February 28, 2023 and 2022	94,331,667	-	\$6,569,586
Shares issued for private placement	5,100,000	\$0.050	255,000
Shares issued for private placement	8,533,999	\$0.060	512,040
Shares issued for advisory services	1,600,000	\$0.065	104,000
Share issue costs	-	-	(30,088)
Balance at August 31, 2023	109,565,666	-	\$7,410,538

The following is a summary of changes in share capital from March 1, 2022 to August 31, 2023

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 "**March 2023 Offering**").

In connection with the March 2023 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 Agent Warrants of \$0.02.

Additional transfer agent and filing fees in the amount of \$5,198 were incurred in connection with the March 2023 Offering.

On July 31, 2023 the Company the completed a non-brokered private placement financing wherein the Company issued 8,533,999 common shares (the "**Shares**") at a price of \$0.06 for gross proceeds of \$512,040 (the "**July 23 Offering**").

Share issue costs for transfer agent and filing fees in the amount of \$7,433 were incurred in connection with the July 2023 Offering.

On August 4, 2023 the Company issued 1,600,000 common shares in connection with an advisory agreement (the "**Advisory Shares**"). The Advisory Shares were valued at \$104,000 as determined by the market price when issued being \$0.065 per share.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022 (Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES (cont'd)

During the year ended February 28, 2023, there were no shares issued.

As at February 28, 2023, the Company received a total of \$15,000 in subscriptions relating to the private placement, representing commitments from investors to purchase Shares in the Offering described hereinabove.

b) Share Purchase Warrants

There were no share purchase warrants outstanding and exercisable as at August 31, 2023 and February 28, 2023 .

c) Agents' Warrants

The following is a summary of changes in agents' warrants from March 1, 2022 to August 31, 2023:

	Number of Agents Warrants	Weighted Average Exercise Price
Balance at February 28, 2022	2,559,050	\$0.080
Expired	(676,250)	\$0.150
Balance at February 28, 2023	1,882,800	\$0.060
Issued	240,000	\$0.055
Balance at August 31, 2023	2,122,800	\$0.06

As at August 31, 2023, 2,122,800 (February 28, 2023 – 1,882,800) agent warrants were outstanding and exercisable with a weighted average remaining contractual life of 0.44 (February 28, 2023 – 0.80) years as follow:

Expiry Date	Exercise Price	Number of Warrants
17-Dec-23	\$0.06	1,882,800
21-Mar-25	\$0.055	240,000
		2,122,800

10. 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 December 6, 2022 (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.

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022
(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS (cont'd)

a) Option Plan Details (cont'd)

The following is the summary of changes in options from March 1, 2022 August 31, 2023:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2022	7,465,000	\$0.09
Expired	(860,000)	\$0.12
Balance February 28, 2023	6,605,000	\$0.09
Granted	1,810,000	\$0.05
Balance at August 31, 2023	8,415,000	\$0.08

As at August 31, 2023 the following options were outstanding:

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

b) Fair Value of Options Issued During the Period

During the period ended August 31, 2023, the weighted average fair value of the 1,810,000 (August 31, 2022 – Nil) options granted was \$0.035 (August 31, 2022 - \$Nil) per option at grant date. The options granted vest 25% on grant date, and 25% thereafter on each anniversary.

As at August 31, 2023, 8,415,000 (February 28, 2023 – 6,605,000) options were outstanding of which 6,182,500 (February 28, 2023 – 4,825,000) were exercisable under the Plan with a weighted average contractual life of 3.12 (February 28, 2023 – 3.19) years.

c) Expenses Arising from Share-based Payment Transactions

The total share-based payments recorded in the condensed consolidated interim statements of loss and comprehensive loss with a corresponding increase in contributed surplus for the period ended August 31, 2023 was \$46,162 (August 31, 2022 - \$65,560) relating to options granted or vested during the period. The Black-Scholes option pricing model inputs for options granted or vested during the period ended August 31, 2023 include:

Grant Date	Expiry Date	Share Price	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
11-May-23	11-May-28	\$0.05	\$0.05	3.44%	5	1.09%	0

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

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022 (Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS (cont'd)

d) RSU's and DSU's

On October 21, 2022 the Board of Directors adopted a long have adopted a restricted share units (“RSUs”) and deferred share units (“DSUs”) long term incentive plan (the “LTIP”) approved by shareholders on December 6, 2022.

Under the LTIP RSUs and DSUs are granted to the Company’s directors, officers, consultants and employees as a part of compensation under the terms of the Company’s restricted share units plan. Each RSU or DSU entitles the participant to receive the value of one Common Share. The maximum number of RSU or DSU awards and all other security based compensation arrangements shall not exceed 9,433,166 common shares of the Company.

The number of RSUs or DSUs awarded and underlying vesting conditions are determined by the Board of Directors in its discretion. In accordance with the LTIP, upon each vesting date the Company shall decide, at its sole discretion whether participants receive (a) the issuance of Common Shares equal to the number of RSUs or DSUs vesting, or (b) a cash payment equal to the number of vested RSUs multiplied by the fair market value of a Common Share, calculated as the closing price of the Common Shares on the TSX-V for the trading day immediately preceding such payment date; or (c) a combination of (a) and (b).

On the grant date of RSUs or DSUs, the Company determines whether it has a present obligation to settle in cash. If the Company has a present obligation to settle in cash, the RSUs or DSUs are accounted for as liabilities, with the fair value remeasured at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period. The Company has a present obligation to settle in cash if the Company has a past practice or a stated policy of settling in cash, or generally settles in cash whenever the counterparty asks for cash settlement. If no such obligation exists, RSUs or DSUs are accounted for as equity settled share-based payments and are valued using the share price of the Common Share on grant date. Since the Company controls the settlement, the RSU's or DSUs are considered equity settled.

DSU's

During the period ended August 31, 2023, the Company granted 2,360,000 (2022 – Nil) DSUs to certain director, officer and advisor and recorded share-based compensation of \$106,200 (2022 – \$Nil) related to the DSUs.

The fair value per DSU granted during the period ended August 31, 2023 was determined to be \$0.045 (2022 – \$Nil) which is the share price of the Common Share on the grant date.

At August 31, 2023, the following DSUs were outstanding:

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

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022 (Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS (cont'd)

a) RSU's and DSU's (cont'd)

RSU's

During the period ended August 31, 2023, the Company granted 180,000 (2022 – Nil) DSUs to an employee and recorded share-based compensation of \$8,100 (2022 – \$Nil) related to the RSUs.

The fair value per RSU granted during the period ended August 31, 2023, was determined to be \$0.045 (2022 – \$Nil) which is the share price of the Common Share on the grant date.

At August 31, 2023, the following RSUs were outstanding:

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

11. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	For the three Months Ended August 31		For the Six Months Ended August 31	
		2023	2022	2023	2022
Administrative and General Expenses					
Accounting and legal		\$12,044	\$13,756	\$16,296	\$25,375
Consulting	13	36,441	3,469	55,772	14,070
Website, advertising, shareholder communication		1,531	9,490	2,157	17,772
Office and administration fees	13	9,018	8,792	19,275	24,012
Insurance		6,029	3,922	8,908	8,037
Regulatory fees		1,953	2,029	1,953	2,029
Rent	13	3,900	1,625	7,000	3,500
Transfer agent fees		717	730	1,475	1,552
Travel		-	2,921	-	3,160
		\$ 71,633	\$46,734	\$112,836	\$99,507

12. 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 consist, 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 periods ended August 31, 2023, and 2022 are as follows:

South Atlantic Gold Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2023 AND 2022 (Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (cont'd)

	August 31 2023	August 31 2022
Key management personnel compensation comprised:		
Wages	\$67,598	\$-
Consulting fees	28,864	68,833
Administration	8,120	3,833
Share-based payments	140,932	55,341
	\$245,514	\$128,006

Included in trade and other payables are amounts due to officers, directors and former officers, directors and related parties for fees and expenses of \$21,353 at August 31, 2023 (February 28, 2023 - \$52,982).

b) 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 \$3,000 for the period ended August 31, 2023 (2022 - \$3,500).

13. LOSS PER SHARE

	August 31 2023	August 31 2022
Net loss attributable to ordinary shareholders	(\$515,464)	(\$213,096)
Weighted average number of common shares	100,522,178	94,331,667
Basic and diluted loss per share	(\$0.01)	(\$0.00)

14. SEGMENT REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities in Canada and Brazil. The Company has exploration and evaluation assets of which \$930,482 (February 28, 2023 - \$967,782) is in Canada and \$3,285,085 (February 28, 2023 - \$3,125,172) is in Brazil.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the condensed consolidated interim statements of cash flows. During the period August 31, 2023 and 2022 the following transactions were excluded from the condensed consolidated interim statements of cash flows:

- i) Included in accounts payable is \$41,459 (2022 - \$195,831) of exploration that are capitalized to exploration and evaluation assets; and
- ii) A compensation charge of \$5,457 (2022 - \$Nil) associated with the grant of 240,000 (2022 - Nil) Agent Warrants was recorded as share issue costs (Note 9).