

# **Satori Resources Inc.**

## **Condensed Interim Financial Statements**

**Three Months Ended March 31, 2020 and 2019**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

### **NOTICE TO READER**

#### Responsibility for Financial Statements:

The accompanying unaudited interim condensed financial statements of Satori Resources Inc. (the "Company") for the three months ended March 31, 2020 and 2019 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see note 3 to the unaudited interim condensed financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited financial statements, management is satisfied that these unaudited interim condensed financial statements have been fairly presented.

#### Auditors Involvement:

The external auditors of Satori Resources Inc. have not audited or performed a review of the unaudited interim condensed financial statements for the three months ended March 31, 2020 and 2019.

# **Satori Resources Inc.**

## **MANAGEMENT'S RESPONSIBILITY FOR QUARTERLY FINANCIAL REPORTING**

The accompanying unaudited interim condensed financial statements of Satori Resources Inc. are the responsibility of the management and Board of Directors of the Company.

The unaudited interim condensed financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim condensed financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited interim condensed financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim condensed financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim condensed financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim condensed financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Peter Shippen"  
Chairman

"Julio DiGirolamo"  
Chief Financial Officer

# Satori Resources Inc.

## Interim Condensed Statements of Financial Position (unaudited)

(Expressed in Canadian dollars)

	March 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 479,354	\$ 519,590
Other receivables	4,504	23,663
Prepaid expenses and advances (note 11)	72,665	60,847
	556,523	604,100
<b>Non-Current Assets</b>		
Mineral properties and deferred exploration and development expenditures (note 5)	2,170,131	2,165,660
<b>TOTAL ASSETS</b>	<b>\$ 2,726,654</b>	<b>\$ 2,769,760</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 10)	\$ 106,796	\$ 94,325
<b>Non-Current Liabilities</b>		
Site restoration provision (note 6)	1,069,561	1,064,187
<b>TOTAL LIABILITIES</b>	<b>1,176,357</b>	<b>1,158,512</b>
<b>Equity</b>		
Share capital (note 7)	3,662,999	3,662,999
Contributed surplus (note 7)	5,834,496	5,834,496
Warrant reserve (note 7)	441,343	441,343
Deficit	(8,388,541)	(8,327,590)
	1,550,297	1,611,248
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,726,654</b>	<b>\$ 2,769,760</b>

### Going Concern (note 2)

Approved by the Board

Signed:

"Jennifer Boyle"

Director

"Peter Shippen"

Director

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

# Satori Resources Inc.

## Interim Condensed Statements of Operations and Comprehensive Loss (unaudited)

For the three-month periods ended March 31,

(Expressed in Canadian dollars)

	2020	2019
Management fees	\$ 21,000	\$ 21,000
Directors fees	16,000	---
Filing and transfer agent fees	6,625	9,565
Consulting fees	6,000	174
Accretion (note 6)	5,374	12,155
Insurance	2,565	2,565
Salaries, wages and benefits	1,566	---
Office costs and miscellaneous	1,246	9,850
Investor relations, advertising and promotion	575	280
Stock-based compensation (note 8)	---	74,835
Travel	---	11,209
Legal and paralegal	---	1,026
Professional fees	---	(2,050)
<b>Loss before interest income</b>	<b>\$ (60,951)</b>	<b>\$ (140,609)</b>
Interest income	---	---
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (60,951)</b>	<b>\$ (140,609)</b>
<b>Net loss per share (note 9)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>

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

## Satori Resources Inc.

### Interim Condensed Statements of Changes in Equity (unaudited)

For the three-month periods ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Contributed Surplus	Warrant Reserve	Deficit	Total
<b>Balance, December 31, 2018</b>	<b>43,631,507</b>	<b>\$ 3,662,999</b>	<b>\$ 5,318,159</b>	<b>\$ 882,846</b>	<b>\$ (7,914,107)</b>	<b>\$ 1,949,897</b>
Net loss for the period	---	---	---	---	(140,609)	(140,609)
Vesting of stock-based compensation	---	---	74,835	---	---	74,835
<b>Balance, March 31, 2019</b>	<b>43,631,507</b>	<b>\$ 3,662,999</b>	<b>\$ 5,392,994</b>	<b>\$ 882,846</b>	<b>\$ (8,054,716)</b>	<b>\$ 1,884,123</b>
<b>Balance, December 31, 2019</b>	<b>43,631,507</b>	<b>\$ 3,662,999</b>	<b>\$ 5,834,496</b>	<b>\$ 441,343</b>	<b>\$ (8,327,590)</b>	<b>\$ 1,611,248</b>
Net loss for the period	---	---	---	---	(60,951)	(60,951)
<b>Balance, March 31, 2020</b>	<b>43,631,507</b>	<b>\$ 3,662,999</b>	<b>\$ 5,834,496</b>	<b>\$ 882,846</b>	<b>\$ (8,388,541)</b>	<b>\$ 1,550,297</b>

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

## Satori Resources Inc.

Interim Condensed Statements of Cash Flows (unaudited)  
For the three-month periods ended March 31,  
(Expressed in Canadian dollars)

	2020	2019
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (60,951)	\$ (140,609)
Items not affecting cash		
Accretion	5,374	12,155
Stock-based compensation	---	74,835
	<b>(55,577)</b>	<b>(53,619)</b>
Changes in non-cash items relating to operating activities		
Other receivables	19,159	15,152
Prepaid expenses	(11,818)	(19,023)
Accounts payable and accrued liabilities	12,471	(12,742)
	<b>(35,765)</b>	<b>(70,232)</b>
<b>Cash flows from investing activities</b>		
Mineral properties expenditures	(4,471)	(4,396)
	<b>(4,471)</b>	<b>(4,396)</b>
<b>Increase (decrease) in cash</b>	<b>(40,236)</b>	<b>(74,628)</b>
<b>Cash, beginning of the period</b>	<b>519,590</b>	<b>816,934</b>
<b>Cash, end of the period</b>	<b>\$ 479,354</b>	<b>\$ 742,306</b>

*The accompanying notes are an integral part of these unaudited interim condensed financial statements.*

# **Satori Resources Inc.**

## **Notes to the Condensed (Unaudited) Interim Financial Statements**

### **March 31, 2020 and 2019**

*Expressed in Canadian dollars unless otherwise indicated*

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#### **1. Incorporation and Basis of Presentation**

Satori Resources Inc. (“Satori” or the “Company”) was incorporated on October 24, 2011 as 0923423 B.C. Ltd. under the Business Corporations Act (British Columbia) and subsequently changed its name to Satori Resources Inc. on December 5, 2011. Satori is involved in mineral exploration and development near Tartan Lake in the Province of Manitoba (the “Tartan Lake Gold Mine Project” or “Tartan Lake”).

The Company’s head office is located at 401 Bay Street, Suite 2702, Toronto, Ontario. Satori’s shares are listed on the TSX Venture Exchange and trade under the symbol “BUD”.

These financial statements were approved by the Board of Directors on May 28, 2020.

#### **2. Nature of Operations and Going concern**

Satori is in the process of exploring its mineral property interests and has not yet determined whether the mineral properties contain mineral reserves that are economically recoverable. Satori’s continuing operations and the underlying value and recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of Satori to obtain the necessary financing to complete the exploration and development of its mineral property interests and on future profitable production or proceeds from the disposition of the mineral property interests.

At March 31, 2020, Satori had \$479,354 in cash (December 31, 2019 - \$519,590). Satori has raised and expects to raise additional equity financing to support future investing and operating activities at Tartan Lake, or for such other new projects or assets that Satori may acquire. There can be no assurance as to the availability or terms upon which such financing might be available.

These unaudited interim condensed financial statements have been prepared on a going concern basis, which assumes that Satori will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. As at March 31, 2020, Satori has no source of recurring operating cash flows, has an accumulated deficit of \$8,388,542 (December 31, 2019 – \$8,327,590 and working capital of \$449,727 (December 31, 2019 - \$509,775). In the absence of additional financing or strategic alternatives, these factors cast significant doubt regarding the Company’s ability to continue as a going concern.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to continue as a going concern and was required to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

#### **3. Significant Accounting Policies**

##### **Statement of Compliance**

These unaudited interim condensed financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

##### **Basis of presentation**

These unaudited interim condensed financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value.

# **Satori Resources Inc.**

## **Notes to the Condensed (Unaudited) Interim Financial Statements**

### **March 31, 2020 and 2019**

*Expressed in Canadian dollars unless otherwise indicated*

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### **3. Significant Accounting Policies (continued)**

#### **Significant accounting estimates and judgments**

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Estimates:

- the recoverability of the deferred exploration and development expenditures recorded in the statements of financial position; and
- inputs used to account for the value of the asset retirement obligation, including the inflation rate, the risk-free interest rate and the estimated life of the property.

#### **New Accounting Standards**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. None of these is expected to have a significant effect on the Consolidated Financial Statements of the Company.

The Conceptual Framework for Financial Reporting (revised in 2018) has been updated to expand on the existing Conceptual Framework by focusing on the elements of financial statements, recognition and derecognition, measurement, and presentation and disclosure. The standard is effective for annual periods beginning on or after January 1, 2020. These new standards and changes did not have any material impact on the Company's financial statements.

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors has been updated. The definition of “material” is being clarified for purpose of improving consistency and application of the concept where applicable. The standard is effective for annual periods beginning on or after January 1, 2020. This new standard and changes did not have any material impact on the Company's financial statements.

### **4. Capital Management**

The capital of Satori consists of shareholders' equity. The Company's objectives when managing capital are to safeguard Satori's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain optimal returns to shareholders and benefits for other stakeholders.

Satori manages its 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 its capital structure, Satori may attempt to issue new shares or debt or dispose of assets. There can be no assurance that Satori will be able to obtain debt or equity capital in the case of operating cash deficits (*note 2*).

In order to facilitate management of its capital requirements, Satori prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize ongoing development efforts, Satori does not pay out dividends. Satori is not subject to externally imposed capital requirements.

# Satori Resources Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements March 31, 2020 and 2019

Expressed in Canadian dollars unless otherwise indicated

### 5. Mineral Properties and Deferred Exploration and Development Expenditures

	Dec 31, 2018	Additions	Dec 31, 2019	Additions	Mar 31, 2020
Acquisition	\$ 583,560	\$ ---	\$ 583,560	\$ ---	\$ 583,560
Exploration	3,673,735	33,616	3,707,351	4,471	3,711,822
Proceeds from sale of gold	(49,433)	---	(49,433)	---	(49,433)
Change in site restoration provision (note 6)	103,205	205,248	308,453	---	308,453
Impairment of properties	(2,384,271)	---	(2,384,271)	---	(2,384,271)
	<b>\$ 1,926,796</b>	<b>\$ 238,864</b>	<b>\$ 2,165,864</b>	<b>\$ 4,471</b>	<b>\$ 2,170,131</b>

#### **Tartan Lake, Manitoba**

Satori assumed ownership of Tartan Lake on February 2, 2012. The property carries a net smelter return royalty ("NSR") of 2%. The NSR can be repurchased at any time by Satori for \$1,000,000 for each 1%.

### 6. Site Restoration Provision

The Company's site restoration provision of \$1,069,561 (December 31, 2019 - \$1,064,186) is based on management's best estimate of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred.

The Company's asset retirement obligation was determined based on an undiscounted future liability of approximately \$1,248,820 adjusted for estimated inflation of 1.88% and discounted at 2.02%, with reclamation occurring in 2027. Additionally, a change in site restoration provision of \$205,248 recognized in 2019. During the three months ended March 31, 2020, accretion expense of \$5,374 (March 31, 2019 - \$12,155) was recorded.

### 7. Share Capital

#### **Common shares**

##### **Authorized:**

Unlimited number of common shares without par value.

##### **Issued and outstanding:**

	Common Shares	Amount
<b>Balance, December 31, 2018 and 2019 and March 31, 2020</b>	<b>43,631,507</b>	<b>\$ 3,662,999</b>

#### **Warrant reserve**

The warrant reserve represents the fair value of outstanding warrants on the date of their issuance. The valuation is derived using a Black-Scholes option pricing model. As warrants are exercised, the fair value is transferred to share capital. Should warrants expire unexercised, the fair value is transferred as a component of contributed surplus.

# Satori Resources Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2020 and 2019

Expressed in Canadian dollars unless otherwise indicated

### 7. Share Capital (Cont'd)

#### Warrant reserve (cont'd)

##### Warrants

	Number of Warrants	Weighted average exercise price
Balance, December 31, 2018	25,576,556	\$ 0.12
Expired	6,271,556	0.30
Balance, December 31, 2019 and March 31, 2020	19,305,003	\$ 0.06

##### Warrants Outstanding

Warrant Type	Number of Warrants	Value Assigned	Exercise Price	Date of Expiry
Investors	1,600,000	72,000	0.05	August 10, 2020
Investors	2,305,000	33,996	0.065	June 16, 2021
Investors	12,800,000	278,730	0.06	November 22, 2021
Investors	2,600,000	56,617	0.06	December 21, 2021
Balance, March 31, 2020	19,305,003	\$ 441,343		

##### Contributed Surplus

The following is a summary of changes in contributed surplus from December 31, 2019 to March 31, 2020:

	March 31, 2020	December 31, 2019
Opening balance	\$ 5,834,497	\$ 5,318,159
Expiry of warrants	---	441,503
Vesting of share-based payments	---	74,835
Ending balance	\$ 5,834,497	\$ 5,834,497

# Satori Resources Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

March 31, 2020 and 2019

Expressed in Canadian dollars unless otherwise indicated

### 8. Stock Options and Stock-Based Compensation

Satori established a stock option plan which provides for granting of incentive stock options up to a maximum of 10% of the Company's issued and outstanding common shares. The Company has issued options to directors, officers and consultants. Terms of the options granted are subject to the determination and approval by the Board of Directors. All options granted are subject to a four-month hold period from the date of grant as required by the TSX Venture Exchange.

	Number of stock options	Weighted average exercise price	Weighted average remaining contractual life (years)
<b>Balance, December 31, 2018</b>	<b>1,450,000</b>	<b>0.16</b>	<b>2.96</b>
Granted	2,000,000	0.05	
Expired	(300,000)	0.18	
<b>Balance, December 31, 2019</b>	<b>3,150,000</b>	<b>0.09</b>	<b>3.21</b>
<b>Balance, March 31, 2020</b>	<b>3,150,000</b>	<b>0.09</b>	<b>2.96</b>

On January 4, 2019, the Company granted 2,000,000 stock options to directors, officers and consultants. The stock options carry an exercise price of \$0.05, and vest immediately. The value ascribed to this issue was \$74,835 using the Black-Scholes option pricing model under the following weighted average assumptions: share price – \$0.05; risk free rate of return – 1.83%; annualized volatility – 100%; expected life – 5 years; dividend yield – 0%. The Company recognized stock-based compensation expense of \$74,835 during the quarter ended March 31, 2019 in relation to the vesting of these options.

In January 2019, 300,000 options expired unexercised.

### 9. Loss per Common Share

The following table sets forth the calculations of basic and fully diluted loss per common share:

	For the three months ended March 31,	
	2020	2019
Numerator:		
Loss attributable to common shareholders - basic and diluted	\$ (60,951)	\$ (140,609)
Denominator:		
Weighted-average common shares outstanding - basic and diluted	43,631,507	43,631,507
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)

The options and warrants for the periods ended March 31, 2020 and 2019 were excluded from the computation of diluted loss per share as the potential effect was anti-dilutive.

# Satori Resources Inc.

## Notes to the Condensed (Unaudited) Interim Financial Statements

### March 31, 2020 and 2019

Expressed in Canadian dollars unless otherwise indicated

#### 10. Related Party Transactions and Balances

##### Management compensation

The Company incurred the following expenditures charged by companies controlled by current directors and officers of the Company:

	For the three months ended	
	March 31,	
	2020	2019
Stock-based compensation	\$ ---	\$ 74,835
Other compensation	21,000	21,000
Total management compensation	\$ 21,000	\$ 95,835

As of March 31, 2020, \$NIL (December 31, 2019 - \$3,727) is owed to management and directors and is included in accounts payable and accrued liabilities on the statements of financial position.

During the quarter ended March 31, 2020, directors were paid a total of \$16,000 (March 31, 2019 - \$NIL) for their services. This amount remains unpaid and included in accounts payable and accrued liabilities on the statement of financial position.

#### 11. Deposit

During the year ended December 31, 2019, the Company made a refundable deposit of \$50,000 with a privately held arms length party (the "Party") in contemplation of a potential transaction while the Company undertakes due diligence procedures. This refundable deposit provides the Company with an option to acquire a joint venture interest in a new venture with the Party.

#### 12. Financial Instruments and Risk Factors

The Company's risk exposures and impact on Satori's financial instruments are summarized below:

##### Credit risk

Credit risk is the risk of loss associated with the Company's inability to collect accounts receivable and safe keep cash. The Company's receivables consist mainly of a Harmonized Sale Tax (HST) return from the federal government, on which there is no credit risk. The Company is also exposed to credit risk on its cash, however, it has deposited its cash with reputable Canadian financial institutions, from which management believes the risk of loss is minimal.

##### Liquidity risk

The Company manages liquidity risk to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2020, Satori had cash of \$479,354 to settle current financial liabilities of \$106,796 (December 31, 2019 - \$519,590 to settle current financial liabilities of \$94,325). Satori has no source of recurring operating cash flows and in the absence of additional financing or strategic alternatives, the Company faces substantial liquidity risk (note 2).

##### Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

- i) Interest rate risk - Satori is not exposed to interest rate risk as it does not have interest bearing debt.
- ii) Commodity price risk - The ability of Satori to develop its mineral properties and future profitability of Satori is directly related to the market price of gold.