

# **Satori Resources Inc.**

## **Financial Statements**

**Years Ended December 31, 2022 and 2021**

**(Expressed in Canadian Dollars)**

To the Shareholders of Satori Resources Inc.:

## Opinion

We have audited the financial statements of Satori Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and December 31, 2021, and the statements of net loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

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

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company had no source of recurring operating cash flows during the year ended December 31, 2022 and, as of that date, had an accumulated deficit. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section we have determined that there are no key audit matters to communicate in our report.

## Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

Mississauga, Ontario

April 28, 2023

*MNP* LLP

Chartered Professional Accountants

Licensed Public Accountants

**Satori Resources Inc.**  
**Statements of Financial Position**  
**As at December 31, 2022 and 2021**  
*(Expressed in Canadian dollars)*

	December 31, 2022	December 31, 2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 910,075	\$ 3,095,147
Other receivables	14,464	28,752
Prepaid expenses and advances <i>(note 11)</i>	17,681	135,537
	<b>942,220</b>	<b>3,259,436</b>
<b>Non-Current Assets</b>		
Mineral properties, deferred exploration and development expenditures <i>(note 5)</i>	6,247,656	4,460,620
<b>TOTAL ASSETS</b>	<b>\$ 7,189,876</b>	<b>\$ 7,720,056</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities <i>(note 10)</i>	\$ 268,219	\$ 120,134
Flow-through premium	---	321,075
	<b>268,219</b>	<b>441,209</b>
<b>Non-Current Liabilities</b>		
Site restoration provision <i>(note 6)</i>	1,129,988	1,107,615
<b>TOTAL LIABILITIES</b>	<b>1,398,207</b>	<b>1,548,824</b>
<b>Equity</b>		
Share capital <i>(note 7)</i>	9,514,017	9,514,017
Contributed surplus <i>(note 8)</i>	6,208,638	6,122,296
Deficit	(9,930,986)	(9,465,081)
<b>TOTAL EQUITY</b>	<b>5,791,669</b>	<b>6,171,232</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 7,189,876</b>	<b>\$ 7,720,056</b>

**Going Concern** *(note 2)*  
**Commitments** *(note 14)*  
**Subsequent Event** *(note 15)*

Approved by the Board

Signed:

*"Peter Shippen"*

Director

*"Jennifer Boyle"*

Director

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

# Satori Resources Inc.

## Statements of Net Loss and Comprehensive Loss

For the years ended December 31, 2022 and 2021

*(Expressed in Canadian dollars, except weighted average shares)*

	2022	2021
Investor relations, advertising, and promotion	\$ 219,793	\$ 105,337
Management fees <i>(note 10)</i>	189,000	204,000
Stock-based compensation <i>(notes 8 and 10)</i>	86,342	154,050
Directors fees	80,000	83,995
Professional fees	47,325	22,079
Insurance	35,741	33,839
Filing and transfer agent fees	35,359	38,085
Salaries, wages and benefits	29,688	37,450
Accretion <i>(note 6)</i>	22,373	21,931
Consulting fees	18,336	26,822
Office and miscellaneous	10,414	21,719
Travel	10,329	2,451
Legal and paralegal	2,280	6,010
<b>Loss before interest income and taxes</b>	<b>786,980</b>	<b>757,768</b>
Interest income	---	(81)
Flow-through premium	(321,075)	(121,864)
New Delhi option termination	---	54,400
<b>Net loss and comprehensive loss for the year</b>	<b>\$ 465,905</b>	<b>\$ 690,223</b>
<b>Net loss per share (basic and diluted) <i>(note 9)</i></b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding during the year - basic and diluted</b>	<b>99,365,818</b>	<b>68,873,529</b>

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

# Satori Resources Inc.

## Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Canadian dollars, except for number of shares)

	Number of Shares	Share Capital	Contributed Surplus	Warrant Reserve	Deficit	Total
<b>Balance, December 31, 2020</b>	<b>58,865,084</b>	<b>\$5,088,097</b>	<b>\$5,935,582</b>	<b>\$ 343,143</b>	<b>\$(8,774,858)</b>	<b>\$2,591,964</b>
Net loss for the year	---	---	---	---	(690,223)	(690,223)
Shares issued – private placement ( <i>note 7</i> )	25,595,734	3,211,116	---	---	---	3,211,116
Shares issued - warrant exercise ( <i>note 7</i> )	14,905,000	1,214,804	---	(310,479)	---	904,325
Warrant expiries	---	---	32,664	(32,664)	---	---
Vesting of stock-based compensation ( <i>note 8</i> )	---	---	154,050	---	---	154,050
<b>Balance, December 31, 2021</b>	<b>99,365,818</b>	<b>\$ 9,514,017</b>	<b>\$ 6,122,296</b>	<b>\$ ---</b>	<b>\$ (9,465,081)</b>	<b>\$ 6,171,232</b>
Net loss for the year	---	---	---	---	(465,905)	(465,905)
Vesting of stock-based compensation ( <i>note 8</i> )	---	---	86,342	---	---	86,342
<b>Balance, December 31, 2022</b>	<b>99,365,818</b>	<b>\$ 9,514,017</b>	<b>\$ 6,208,638</b>	<b>\$ ---</b>	<b>\$ (9,930,986)</b>	<b>\$ 5,791,669</b>

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

**Satori Resources Inc.**  
**Statements of Cash Flows**  
**For the years ended December 31, 2022 and 2021**  
*(Expressed in Canadian dollars)*

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Net loss for the year	\$ (465,905)	\$ (690,223)
Items not affecting cash		
Accretion ( <i>note 6</i> )	22,373	21,931
Stock-based compensation ( <i>notes 8 and 10</i> )	86,342	154,050
Flow-through premium	(321,075)	(121,864)
Changes in non-cash items relating to operating activities		
Other receivables	14,288	20,441
Prepaid expenses	117,856	(63,767)
Accounts payable and accrued liabilities	148,085	9,554
	<b>(398,036)</b>	<b>(669,878)</b>
<b>Cash flows from investing activities</b>		
Mineral properties expenditures	<b>(1,787,036)</b>	<b>(2,052,923)</b>
	<b>(1,787,036)</b>	<b>(2,052,923)</b>
<b>Cash flows from financing activities</b>		
Share subscriptions	---	3,858,400
Cash share issuance costs	---	(204,345)
Exercise of warrants	---	904,325
	---	4,558,380
<b>(Decrease) Increase in cash</b>	<b>(2,185,072)</b>	<b>1,835,579</b>
<b>Cash, beginning of the year</b>	<b>3,095,147</b>	<b>1,259,568</b>
<b>Cash, end of the year</b>	<b>\$ 910,075</b>	<b>\$ 3,095,147</b>

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



# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

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### 1. Incorporation

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").

Satori'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 April 26, 2023.

### 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.

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 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 December 31, 2022, Satori had no source of recurring operating cash flows, has an accumulated deficit of \$9,930,986 (2021 – \$9,465,081), and working capital of \$674,001 (2021 - \$2,818,227). In the absence of additional financing or strategic alternatives, these factors indicate that a material uncertainty exists that may cast significant doubt on Satori'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 Satori 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 financial statements, including comparatives, have been prepared in accordance with accounting policies consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

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### 3. Significant Accounting Policies (Cont'd)

#### Basis of presentation

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

#### 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 and judgments:

- the recoverability of the deferred exploration and development expenditures recorded in the statements of financial position (note 5); and
- inputs used to account for the value of the site restoration provision, including the future costs, the inflation rate, the risk-free interest rate, and the estimated life of the property (note 6).
- the Company's ability to continue its on-going and planned exploration activities and continue operations as a going concern, is dependent upon the recoverability of costs incurred to date on mineral properties, the existence of economically recoverable reserves, and the ability to obtain necessary equity financing from time to time.
- Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Expenditure deductions for income tax purposes related to exploratory activities funded by flow-through equity instruments are renounced to investors in accordance with income tax legislation. The difference between the value ascribed to flow-through shares issued and the value that would have been received for common shares at the date of issuance of the flow-through shares is initially recognized as a liability on the consolidated statement of financial position. The liability is reversed when tax benefits are renounced and a deferred tax liability is recognized at that time. Income tax expense is the difference between the amount of the deferred tax liability and the liability recognized on issuance.

#### Financial instruments

Financial instruments measured at amortized cost are initially recognized at fair value, plus adjustments for transaction costs, and then subsequently measured at amortized cost using the effective interest rate method, with gains and losses recorded as a charge against earnings.

Satori derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Satori derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

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### 3. Significant Accounting Policies (Cont'd)

#### Financial instruments (cont'd)

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, Satori has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

The following table summarizes the classification of Satori's financial assets and liabilities:

	<b>Classification</b>
<b>Financial assets:</b>	
Cash	Amortized cost
Other receivables	Amortized cost
<b>Financial liabilities:</b>	
Accounts payable and accrued liabilities	Amortized cost

#### Cash

Cash comprises cash balances deposited at Canadian chartered banks.

#### Mineral properties and deferred exploration and development expenditures

Satori's mineral property is in the exploration stage. Satori capitalizes all expenditures related to the acquisition, exploration, and development of the mineral property until such time as the property is placed into commercial production, abandoned, sold or considered to be impaired in value. Costs of the producing property will be amortized on a unit-of-production basis based on proven and probable reserves. Costs of abandoned properties are written off to operations. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of mineral properties, with the excess, if any, included in operations. Adjustments to carrying value due to impairment are charged to operations.

Property option payments received are credited against the cost of mineral properties. Where option payments received exceed the recorded acquisition costs plus deferred exploration expenditures on the respective project, the amount in excess of the capitalized costs is credited to operations.

Satori has not yet determined the amount of reserves available on the property owned. The recoverability of the capitalized costs for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of Satori to obtain financing to complete development of the property and on future production or proceeds of disposition. Satori assesses the impairment of a mineral property whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is charged to operations. Although Satori has taken steps to verify the title to mineral properties in which it has an interest in accordance with general industry standards, these procedures do not guarantee Satori's title. Such properties may be subject to prior agreements or transfers and, as such, title may be affected.

All capitalized exploration and development expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that an exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but which require major capital expenditures before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

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### 3. Significant Accounting Policies (Cont'd)

#### Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

#### Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the year by the weighted average number of common shares outstanding in the year. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares using the treasury method.

#### Accounting for flow-through shares

Expenditure deductions for income tax purposes related to exploratory activities funded by flow-through equity instruments are renounced to investors in accordance with income tax legislation. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the flow-through shares. A liability is recognized for this difference. The liability is reduced and the reduction of premium liability is recorded in the statements of net loss and comprehensive loss on a pro-rata basis based on the corresponding eligible expenditures that have been incurred.

#### Stock-based compensation

Stock options awarded to employees are accounted for using the fair value-based method. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value of options granted is calculated using the Black-Scholes model and is recorded as stock-based compensation expense over the vesting period of the options. Consideration paid on the exercise of stock options is credited to share capital. The contributed surplus associated with the options is transferred to share capital upon exercise. The fair value of options issued to non-employees is measured based on the fair value of the goods or services exchanged.

# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

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### 3. Significant Accounting Policies (Cont'd)

#### Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, Satori estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount recognizing an impairment loss in the statement of operations. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of the recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

#### Site restoration provision

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site restoration work, discounted to their net present value, are provided for and capitalized to the carrying value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate, for changes to the current market-based discount rate, and amount or timing of the underlying cash flows needed to settle the obligation.

### 4. Capital Management

The capital of Satori consists of shareholders' equity. Satori'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*).

# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

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

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.

	Dec 31, 2020	Additions	Dec 31, 2021	Additions	Dec 31, 2022
<b>Tartan Lake:</b>					
Acquisition	\$ 583,560	\$ ---	\$ 583,560	\$ ---	\$ 583,560
Exploration	3,894,988	2,107,323	6,002,311	1,787,036	7,789,347
Proceeds from sale of gold	(49,433)	---	(49,433)	---	(49,433)
Change in site restoration provision (note 6)	308,453	---	308,453	---	308,453
Impairment of properties	(2,384,271)	---	(2,384,271)	---	(2,384,271)
<b>Total Tartan Lake</b>	<b>2,353,297</b>	<b>2,107,323</b>	<b>4,460,620</b>	<b>1,787,036</b>	<b>6,247,656</b>
<b>New Delhi:</b>					
Acquisition	54,400	---	54,400	---	54,400
Option termination	---	(54,400)	(54,400)	---	(54,400)
<b>Total New Delhi</b>	<b>54,400</b>	<b>(54,400)</b>	<b>---</b>	<b>---</b>	<b>---</b>
<b>TOTAL</b>	<b>\$ 2,407,697</b>	<b>2,052,923</b>	<b>\$ 4,460,620</b>	<b>1,787,036</b>	<b>\$ 6,247,656</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%. During the year ended December 31, 2022, the Company expended \$1,787,036 on exploration activities (Year ended December 31, 2021 - \$2,107,323).

#### *New Delhi, Ontario*

On October 26, 2020, Satori entered into a property option agreement to earn a 100% interest in the New Delhi Gold Project, an advanced polymetallic gold property located in Ontario's Sudbury Mining Division. Under the terms of this agreement, Satori had the right to earn a 100% interest in the New Delhi project by making certain payments. On November 22, 2021, the Company gave notice that it was terminating the option agreement.

### 6. Site Restoration Provision

Satori's site restoration provision of \$1,129,988 (2021 - \$1,107,615) 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.

Satori's asset retirement obligation was determined based on an undiscounted future liability of approximately \$1,248,820 adjusted for estimated inflation of 1.88% (2021 - 1.88%) and discounted at 2.02% (2021 - 2.02%), with reclamation occurring in 2027 (2021 - 2027). During the year ended December 31, 2022, accretion expense of \$22,373 (2021 - \$21,931) was recorded.

# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

### 7. Share Capital

#### Common shares

##### Authorized

Unlimited number of common shares without par value.

##### Issued and outstanding

	Common Shares	Amount
<b>Balance, December 31, 2020</b>	<b>58,865,084</b>	<b>\$ 5,088,097</b>
Shares issued in private placement	25,595,734	3,858,400
Share issue costs	---	(204,345)
Flow-through premium	---	(442,939)
Warrant exercise – cash	14,905,000	904,325
Warrant exercise – book value	---	310,479
<b>Balance, December 31, 2021 and 2022</b>	<b>99,365,818</b>	<b>\$ 9,514,017</b>

On June 28, 2021, Satori closed a private placement offering for gross proceeds totaling \$1,714,350. The Company issued 10,449,997 flow-through common shares at a price of \$0.135, and 2,760,000 common shares at a price of \$0.11 per share. In connection with this closing, the Company paid cash finders' fees totaling \$100,911 to eligible finders. A flow-through premium of \$156,750 was recognized.

On December 30, 2021, Satori closed its private placement offering for gross proceeds totaling \$2,144,050. The Company issued 7,154,737 flow-through common shares at a price of \$0.19, and 5,231,000 common shares at a price of \$0.15 per share. In connection with this closing, the Company paid cash finders' fees totaling \$89,901 to eligible finders and incurred additional costs of \$13,533. A flow-through premium of \$286,189 was recognized.

During the year ended December 31, 2021, a total of 14,905,000 warrants were exercised for cash proceeds of \$904,325.

See note 14 for Satori's flow-through expenditure commitment at December 31, 2022.

#### 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.

#### Warrants

	Number of Warrants	Weighted average exercise price
<b>Balance, December 31, 2020</b>	<b>16,405,000</b>	<b>\$ 0.06</b>
Exercised	(14,905,000)	0.06
Expired	(1,500,000)	0.06
<b>Balance, December 31, 2021 and 2022</b>	<b>---</b>	<b>---</b>

# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

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

#### Warrants Outstanding

At December 31, 2022 and 2021, Satori did not have any warrants outstanding.

#### Contributed Surplus

The following is a summary of changes in contributed surplus from December 31, 2021 to December 31, 2022:

	December 31, 2022	December 31, 2021
Opening balance	\$ 6,122,296	\$ 5,935,582
Expiry of warrants	---	32,664
Vesting of share-based payments	86,342	154,050
<b>Ending balance</b>	<b>\$ 6,208,638</b>	<b>\$ 6,122,296</b>

### 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 Satori's issued and outstanding common shares. Satori 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 outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life (years)
<b>Balance, December 31, 2020</b>	<b>4,050,000</b>	<b>\$ 0.10</b>	<b>3.08</b>
Granted	1,500,000	0.15	
Expired	(650,000)	0.15	
<b>Balance, December 31, 2021</b>	<b>4,900,000</b>	<b>\$0.10</b>	<b>3.05</b>
Granted	825,000	0.15	
Expired	(300,000)	0.18	
<b>Balance, December 31, 2022</b>	<b>5,425,000</b>	<b>\$0.10</b>	<b>2.56</b>

On April 22, 2022, the Company granted 825,000 stock options to directors, officers and consultants. The stock options have a life of five years, carry an exercise price of \$0.15, and 525,000 vest immediately. For the remaining 300,000, one-third vests immediately and one-third vests on each of the 6-month and 12-month anniversary of the grant. The value ascribed to this issue was \$89,678 using the Black-Scholes option pricing model under the following weighted average assumptions: share price – \$0.145; risk free rate of return – 2.79%; annualized volatility – 100%; expected life – 5 years; dividend yield – 0%. The Company recognized stock-based compensation expense of \$86,342 during the year ended December 31, 2022 in relation to the vesting of these options. The balance of \$3,335 will be expensed over the balance of the vesting period.

In January 2022, 300,000 options expired unexercised.

On March 30, 2021, the Company granted 1,500,000 stock options to directors, officers and consultants. The stock options carry an exercise price of \$0.15, and vest immediately. The value ascribed to this issue was \$154,050 using the Black-Scholes option pricing model under the following weighted average assumptions: share price – \$0.14; risk free rate of return – 0.97%; annualized volatility – 100%; expected life – 5 years; dividend yield – 0%. The Company recognized stock-based compensation expense of \$154,050 during the year ended December 31, 2021 in relation to the vesting of these options.

Options expired unexercised during 2021 as follows: March 31, 2021 - 50,000 options; August 24, 2021 - 100,000 options; October 3, 2021 – 500,000 options.



# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

### 9. Loss per Common Share

The options and warrants for the years ended December 31, 2022 and 2021 were excluded from the computation of diluted loss per share as the potential effect was anti-dilutive.

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

	For the years ended December 31,	
	2022	2021
Numerator:		
Loss attributable to common shareholders - basic and diluted	\$(465,905)	\$(690,223)
Denominator:		
Weighted-average common shares outstanding - basic and diluted	99,365,818	68,873,529
Basic and diluted loss per common share	\$ (0.00)	\$ (0.01)

### 10. Related Party Transactions and Balances

#### *Management compensation*

Satori incurred the following expenditures with officers and directors of Satori, or with companies controlled by those individuals:

	Years Ended December 31,	
	2022	2021
Stock-based compensation	\$ 86,342	\$ 154,050
Fees paid to Chairman, CEO and CFO	206,000	206,000
Other director fees	48,000	48,000
Consulting fees	22,000	31,600
Total management compensation	\$ 362,342	\$ 439,650

During the year ended December 31, 2022, the Company paid its President and CEO a total of \$72,000 for her role as an Executive Officer and \$16,000 for her role on the Board (December 31, 2021 - \$72,000 for her role as an Executive Officer and \$16,000 for her role on the Board). During the year ended December 31, 2022, the Company paid its Executive Chairman a total of \$72,000 for his role as an Executive Officer and \$16,000 for his role on the Board (December 31, 2021, a total of \$72,000 for his role as an Executive Officer and \$16,000 for his role on the Board). During the year ended December 31, 2022, the Company paid its CFO a total of \$30,000 (December 2021 - \$30,000).

As of December 31, 2022, \$89,486 (December 31, 2021 - \$30,537) is owed to management and directors and is included in accounts payable and accrued liabilities on the statements of financial position.

Officers and directors of the Company subscribed for 865,000 common shares of the December 30, 2021 financing, for gross proceeds of \$134,350 (7%).

### 11. Deposit

During the year ended December 31, 2019, Satori made a refundable deposit of \$50,000 to a privately held arm's length party (the "Party") in contemplation of a potential transaction while Satori conducted due diligence procedures. This refundable deposit provided Satori with an option to acquire a joint venture interest in a new venture with the Party. In April 2021, the amount of this deposit was refunded in full.

# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

### 12. Financial Instruments and Risk Factors

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

#### Credit risk

Credit risk is the risk of loss associated with Satori's inability to collect accounts receivable and safe keep cash. Satori's receivables consist mainly of a Harmonized Sale Tax (HST) due from the federal government, on which there is no credit risk. Satori 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

Satori manages liquidity risk to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2022, Satori had cash of \$910,075 to settle current financial liabilities of \$268,219 (December 31, 2021 - \$3,095,147 to settle current financial liabilities of \$441,209). Satori has no source of recurring operating cash flows and in the absence of additional financing or strategic alternatives, Satori 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.

### 13. Income Tax

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 – 26.5%) to the effective tax rate is as follows:

	2022	2021
	\$	\$
Net Loss before recovery of income taxes	<u>(465,905)</u>	(690,223)
Expected income tax (recovery)	(123,465)	(182,910)
Flow-through premium, Stock-based compensation and other non-deductible expenses	(60,960)	8,530
Share issuance costs booked to equity	---	(54,150)
Renunciation of flow-through expenditures	443,820	495,770
Change in tax benefits not recognized	<u>(259,395)</u>	(267,240)
Income tax expense (recovery)	---	---

#### Deferred Tax

The following table summarizes the components of deferred tax:

	2022	2021
	\$	\$
<b>Deferred Tax Assets</b>		
Operation losses carried forward	625,020	181,200
<b>Deferred Tax Liabilities</b>		
Resource pools - Mineral Properties	(625,020)	(181,200)
<b>Net deferred tax liability</b>	---	---

# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

### 13. Income Tax (Cont'd)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

#### Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2022	2021
	\$	\$
Property, plant, and equipment	39,610	39,610
Asset Retirement Obligation	1,129,990	1,107,610
Share issue costs	139,030	189,150
Operating tax losses carried forward	2,597,530	3,548,580
Investment tax credits from schedule 31	6,030	6,030
	<u>3,912,190</u>	<u>4,890,980</u>

The Canadian operating tax loss carry forwards expire as noted in the table below.

The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's unrecognized Canadian operating tax losses expire as follows:

	Total
	\$
2037	34,440
2038	489,190
2039	316,670
2040	375,290
2041	658,270
2042	723,670
	<u>2,597,530</u>

### 14. Commitments

The following table summarizes the Company's flow-through expenditure requirements as at December 31, 2022:

Date of Financing	Dec 30, 2021	June 28, 2021
	\$	\$
Flow-through proceeds raised	1,359,400	1,410,750
Eligible expenditures incurred	---	(1,096,776)
<b>Expenditure commitment – December 31, 2021</b>	<b>1,359,400</b>	<b>313,974</b>
Eligible expenditures incurred	(1,359,400)	(313,974)
<b>Expenditure commitment – December 31, 2022</b>	<b>---</b>	<b>---</b>

# Satori Resources Inc.

## Notes to Financial Statements December 31, 2022 and 2021

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### 15. Subsequent Events

On April 24, 2023, the Company completed the acquisition of Apollo Exploration Inc. (“Apollo”), a private company wholly owned by Mr. Rob McEwen, in consideration for the issuance of 60,000,000 common shares of the Company. Apollo, now a wholly owned subsidiary of the Company, holds interests in key exploration projects in the vicinity of Canada’s largest gold mines and development projects, namely: (i) the Malartic South Project located near the Canadian Malartic Mine in Quebec; (ii) the HEES Project located near Barrick Gold’s Hemlo Mine in Ontario; and (iii) and the Hammond Reef North & South Projects located due south of Agnico Eagle’s Hammond Reef Gold Project in Ontario. Additionally, provided only that Mr. Rob McEwen holds not less than a 20% interest in the Company (i) the Company shall not sell or otherwise dispose of any interest in a royalty or metals streaming financing offered by a bona fide third party, without first offering same to Mr. Rob McEwen; and (ii) with the exception of a rights offering, Mr. Rob McEwen shall have the right, and not an obligation, to participate in equity financings in order to maintain his pro rata interest in the Company.

On March 29, 2023, 100,000 stock options were exercised at a price of \$0.15 per share.