Satori Resources Inc.

Financial Statements

Years Ended December 31, 2015 and 2014

(Expressed in Canadian Dollars)

Independent Auditors' Report

To the Shareholders of Satori Resources Inc.:

We have audited the accompanying financial statements of Satori Resources Inc., which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Satori Resources Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Satori Resources Inc.'s ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
April 29, 2016

MNP LLP

Satori Resources Inc.
Statements of Financial Position
As at December 31
(Expressed in Canadian dollars)

		2015		2014
ASSETS				
Current Assets				
Cash	$	54,824	$	200,465
Temporary investments		15,000		15,000
Other receivables		26,414		11,853
Prepaid expenses and advances		8,516		6,661
		104,754		233,979
Non-Current Assets				
Mineral properties and deferred exploration expenditures *(note 5)*		1,000,000		2,000,000
TOTAL ASSETS	$	1,104,754	$	2,233,979
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities *(note 5, 7(v) and 10)*	$	154,855	$	118,656
Non-Current Liabilities				
Asset retirement obligation *(note 6)*		680,362		641,850
Equity				
Share capital *(note 7)*		1,568,889		1,551,038
Warrant reserve *(note 7)*		179,912		50,265
Contributed surplus *(note 7)*		4,855,921		4,828,293
Deficit		(6,335,185)		(4,956,123)
		269,537		1,473,473
TOTAL LIABILITIES AND EQUITY	$	1,104,754	$	2,233,979

Incorporation and Basis of Presentation *(note 1)*

Going Concern *(note 2)*

Approved by the Board
Signed:

"Jennifer Boyle" ________________________________ Director

"Bruce Reid" ________________________________ Director

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

Satori Resources Inc.

Statements of Operations and Comprehensive Loss

For the years ended December 31
(Expressed in Canadian dollars)

		2015		2014
Management fees *(note 10)*	$	116,837	$	177,500
Rent		15,655		17,974
Accretion *(note 6)*		38,512		36,333
Salaries, wages and benefits		12,829		13,080
Filing and transfer agent fees		27,656		24,900
Professional fees (*note 10)*		44,935		62,003
Office and miscellaneous		13,377		21,193
Insurance		14,724		15,013
Investor relations, advertising and promotion		1,124		10,790
Travel		10,781		20,723
Legal and paralegal		4,421		2,685
Consulting fees		28,940		174,009
Stock-based compensation *(note 8 and 10)*		-		94,200
		329,791		670,403
Loss before write-down of mineral properties, gain on settlement of debt and interest income		(329,791)		(670,403)
Write-down of mineral properties *(note 5)*		(1,071,892)		35,003
Interest income		121		134
Gain on debt settlement *(note 7)*		22,500		36,000
Net loss and comprehensive loss for the year	**$**	**(1,379,062)**	**$**	**(669,272)**
Net loss per share *(note 9)*	**$**	**(0.20)**	**$**	**(0.12)**

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, 2015 and 2014
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Contributed Surplus	Warrant Reserve	Deficit	Total
Balance, January 1, 2015	**6,040,349**	**$ 1,551,038**	**$ 4,828,293**	**$ 50,265**	**$(4,956,123)**	**$ 1,473,473**
Shares issued for debt	50,000	2,500	-	-	-	2,500
Issued in private placement	3,495,000	174,750	-	-	-	174,750
Share issue costs		(2,124)	-	-	-	(2,124)
Fair value of warrants issued in private placement		(157,275)	-	157,275	-	-
Expiry of warrants			27,628	(27,628)	-	-
Net loss for the year	-	-	-	-	(1,379,062)	(1,379,062)
Balance, December 31, 2015	**9,585,349**	**$ 1,568,889**	**$ 4,855,921**	**179,912**	**$(6,335,185)**	**$ 269,537**
Balance, January 1, 2014	**4,673,724**	**$ 869,474**	**$ 4,725,932**	**$ 88,604**	**$ (4,286,851)**	**$ 1,397,159**
Shares issued on exercise of warrants	1,015,625	515,936	-	-	-	515,936
Shares issued in Picnic Phosphate Project	50,000	25,000	-	-	-	25,000
Shares issued in private placements	121,000	56,450	-	-	-	56,450
Shares issued for debt settlement	180,000	54,000	-	-	-	54,000
Fair value of warrants issued in private placements	-	(20,045)		20,045	-	-
Vesting of stock-based compensation	-	-	94,200	-	-	94,200
Fair value of warrants allocated to common shares issued on exercise	-	50,223	-	(50,223)	-	-
Expiry of warrants	-	-	8,161	(8,161)	-	-
Net loss for the year	-	-	-	-	(669,272)	(669,272)
Balance, December 31, 2014	**6,040,349**	**$ 1,551,038**	**$ 4,828,293**	**$ 50,265**	**$ (4,956,123)**	**$ 1,473,473**

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

Satori Resources Inc.

Statements of Cash Flows
For the years ended December 31
(Expressed in Canadian dollars)

	2015	2014
Cash flows from operating activities		
Net loss for the year	$ (1,379,062)	$(669,272)
Items not affecting cash		
Accretion	38,512	36,333
Write-down of mineral properties	1,071,892	35,000
Stock-based compensation	-	94,200
Gain on debt settlement	(22,500)	(36,000)
	(291,158)	(539,739)
Changes in non-cash items relating to operating activities		
Other receivables	(14,561)	(3,498)
Prepaid expenses	(1,855)	25,339
Accounts payable and accrued liabilities	61,199	69,953
Unearned revenue	-	(23,170)
	(246,375)	(471,115)
Cash flows from investing activities		
Mineral properties expenditures	(71,892)	(10,000)
	(71,892)	(10,000)
Cash flows from financing activities		
Shares issued on exercise of warrants	-	515,936
Share subscriptions	174,750	-
Cash share issuance costs	(2,124)	(4,050)
	172,626	511,886
Increase (decrease) in cash	(145,641)	30,771
Cash, beginning of the year	200,465	169,694
Cash, end of the year	$ 54,824	$ 200,465
Non-cash transactions		
Accounts payable settled with shares issued	$ 25,000	$ 90,000

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

1. Incorporation and Basis of Presentation

In connection with an offer by Claude Resources Inc. ("Claude") to purchase St. Eugene Mining Corporation Limited ("St. Eugene"), 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 corporate head office is located at 401 Bay Street, Suite 2702, Toronto, Ontario.

On October 25, 2011, St. Eugene and Satori entered into an agreement with Claude, pursuant to which Claude agreed to acquire, by way of a court approved plan of arrangement (the "Arrangement"), the issued and outstanding shares of St. Eugene. Contemporaneously with the acquisition of St. Eugene (by Claude), Satori acquired the Tartan Lake Gold Mine Project and accordingly, at closing, under the Arrangement, each St. Eugene shareholder received 0.0789 of a Claude share and 0.25 of a common share of Satori for each St. Eugene share held.

After completing the Arrangement, Satori held a 100% interest in Tartan Lake, including the mineral property interests and related assets in the Province of Manitoba and equipment related to office space maintained in Toronto, including a prepaid lease in the amount of $165,637, all previously held by St. Eugene. In addition, Satori was to be capitalized by Claude with $812,800 of cash, which was subsequently reduced by $50,000 to $762,800.

The Arrangement was approved by the Board of Directors of St. Eugene and by St. Eugene's shareholders at a special meeting held on January 17, 2012. The Arrangement was completed on February 2, 2012 and 30,487,250 Satori shares were issued to former St. Eugene shareholders. Satori's shares began trading on the TSX Venture Exchange on February 2, 2012 under the symbol "BUD".

These financial statements were approved by the Board of Directors on April 29, 2016.

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 December 31, 2015, Satori had $69,824 (2014 - $215,465) in cash and temporary investments. 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.

2. Nature of Operations and Going Concern (continued)

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, 2015, Satori has no source of recurring operating cash flows, has an accumulated deficit of $6,335,185 (2014 – $4,956,123) and working capital deficit of $50,101 (2014 – working capital $115,323). 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 financial statements, including comparatives, have been prepared in accordance with 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 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:

- 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.

3. Significant Accounting Policies (continued)

Financial instruments

Financial assets

The Company's accounting policy for each category of financial asset is as follows:

Fair value through profit or loss **-** This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments **-** These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized in other comprehensive income or loss and accumulated in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that future cash flows associated with a financial asset or a group of financial assets have been negatively impacted.

Financial liabilities

The Company's accounting policy for each category of financial liability is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities incurred principally for the purpose of being sold or repurchased in the near term. They are carried on the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Other financial liabilities – This category comprises all liabilities other than those classified as fair value through profit and loss. They are initially recognized at fair value and re-measured at every reporting period at amortized cost using the effective interest rate method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

The Company’s financial instruments consist of the following:

Financial assets:	Classification:
Cash	Loans and receivables
Temporary investments	Loans and receivables
Other receivable	Loans and receivables

Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities

Cash and cash equivalents

Cash and cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than 90 days.

Temporary investments

Temporary investments include money market instruments that have maturities at the date of purchase of more than 90 days.

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 mineral claims, 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 the Company 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.

3. Significant Accounting Policies (continued)

Mineral properties and deferred exploration and development expenditures (continued)

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.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss, other comprehensive income or loss or equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, 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.

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. 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 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.

3. Significant Accounting Policies (continued)

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.

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, the Company 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.

Asset retirement obligation

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.

3. Significant Accounting Policies (continued)

Future changes in accounting standards not yet adopted

Standards issued but not yet effective up to the date of issuance of the Company's financial statements which may impact the Company's future financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9 – Financial Instruments

"Financial Instruments" (IFRS 9) was issued by the IASB on November 12, 2009 and will replace "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Satori is assessing the impact of IFRS 9 on its results of operations and financial position.

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.

5. Mineral Properties and Deferred Exploration and Development Expenditures

	January 1, 2014	Additions/ Impairment	December 31, 2014	Additions/ Impairment	December 31, 2015
Acquisition	$ 583,560	$ -	$ 583,560	$ -	$ 583,560
Exploration	2,640,047	35,000	2,675,047	71,892	2,746,939
Proceeds from sale of gold	(49,433)	-	(49,433)	-	(49,433)
Change in asset retirement obligation assumptions	103,205	-	103,205	-	103,205
Impairment of properties	(1,277,379)	(35,000)	(1,312,379)	(1,071,892)	(2,384,271)
	$2,000,000	**$ -**	**$2,000,000**	**$(1,000,000)**	**$1,000,000**

Tartan Lake, Manitoba

Pursuant to the Arrangement between Claude, St. Eugene and Satori dated October 25, 2011 (*note 1)*, on February 2, 2012, Tartan Lake was transferred to Satori at the close of the transaction contemplated in the Arrangement. Pursuant to its terms, Claude reduced the existing net smelter return royalty ("NSR") to a flat 2%. The NSR can also be repurchased at any time by Satori for $1,000,000 per each 1%.

During the year ended December 31, 2015, the Company recorded an impairment loss on this property totalling $1,071,892 (2014 - $35,000).

Picnic Phosphate Project in Port Cartier, Quebec

On April 30, 2014, the Company signed a letter agreement with Jourdan Resources Inc. ("Jourdan") pursuant to which Jourdan granted an option to Satori to earn a 50% interest in and to the Picnic Phosphate Project in Port Cartier, Quebec. In order to vest, Satori paid $10,000 and issued 50,000 common shares to Jourdan. Thereafter, Satori was to issue an additional 50,000 common shares to Jourdan, or such lesser amount in order that the value does not exceed $75,000, prior to the second anniversary. Prior to the third anniversary, Satori was to have incurred $525,000 in exploration expenditures on the Picnic Phosphate Project. Thereafter, a joint venture was to be formed and each party was to be responsible for its own pro rata costs. In addition, Satori was to complete a $25,000 private placement in Jourdan and Jourdan was to undertake a sampling program within the first 90 days in order that samples are exploited and transported to Jourdan's labs for testing phosphate products as it relates to a growth media and slow natural release fertilizer conducive for growing marijuana in legal forums (and other products). It was intended that the parties form a strategic alliance whereby Satori was to source additional agricultural facilities particularly related to growing medical marijuana, for the purposes of testing the joint venture's phosphate rock products as an ingredient for natural fertilizers. During 2014, the Company investigated the possibility of entering into a transaction within the medical marijuana sector. However, the Company's efforts in this regard have now ceased and the costs capitalized with respect to this project have been written off.

6. Asset Retirement Obligation

The Company's asset retirement obligation of $680,362 (2014 - $641,850) 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.

On December 31, 2012, the Company re-assessed its asset retirement obligation and determined it to be $571,243, based on an undiscounted future liability of approximately $1,220,000 and an interest rate of 6.00%, with reclamation occurring in 2025. Information available at December 31, 2015 continues to support these assumptions in determine the value of this liability. The asset retirement obligation is being accreted to $1,220,000 over the period ending December 31, 2025. During the year ended December 31, 2015, accretion expense of $38,512 (2014 - $36,333) was recorded.

7. Share Capital

Common shares

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

	Common Shares	Amount
Balance, December 31, 2013	**4,673,724**	**$ 869,474**
Shares issued on exercise of warrants (i)	1,015,625	515,936
Fair value of warrants allocated to common shares issued on exercise	-	50,223
Shares issued Picnic Phosphate Project (ii)	50,000	25,000
Shares issued in private placements (iii)	121,000	60,500
Fair value of warrants issued in private placements (iii)	-	(20,045)
Share issuance costs (iii)	-	(4,050)
Shares issued in debt settlement (iv)	180,000	54,000
Balance, December 31, 2014	**6,040,349**	**1,551,038**
Shares issued in debt settlement (v)	50,000	2,500
Shares issued in private placement (vii)	3,495,000	174,750
Share issuance costs (vii)	-	(2,124)
Fair value of warrants issued in private placement (vii)	-	(157,275)
Balance, December 31, 2015	**9,585,349**	**$1,568,889**

7. Share Capital (continued)

Common shares (continued)

Issued and outstanding (continued)

i) During the year ending December, 2014, 1,015,625 warrants were exercised for gross proceeds of $515,936.

ii) On April 30, 2014, the Company signed a letter agreement with Jourdan pursuant to which Jourdan granted an option to the Company to earn a 50% interest in and to the Picnic Phosphate Project in Port Cartier, Quebec. In order to vest, the Company paid $10,000, on June 12, 2014, and issued 50,000 common shares (valued at $25,000) to Jourdan *(note 5).*

iii) On June 27, 2014, the Company completed a non-brokered private placement of 81,000 non flow-through units at a price of $0.50 per unit and 40,000 flow-through units at a price of $0.50 per unit. Each non flow-through unit consists of one common share of Satori and one non-transferable share purchase warrant. Each purchase warrant entitles the holder to acquire an additional common share at a price of $0.80 at any time within 12 months and at $1.00 for a period of 36 months from issuance. The Company paid $4,050 in finders' fees and issued 8,100 (10%) finders' warrants to eligible finders. Each finder's warrant entitles the holder to acquire one common share at an exercise price of $0.80 at any time within 24 months of issuance. The fair value of the warrants and finders' warrants of $20,045 has been credited to warrant reserve and deducted from share capital. The fair value of the warrants was derived using a Black-Scholes option pricing model. Assumptions used in the model were a share price of $0.50, a discount rate of 1.56% and annualized volatility of 150%. This issuance did not result in a flow-through premium.

iv) On October 27, 2014, the Company issued 180,000 common shares of the Company to settle debt in the amount of $90,000 held by various parties, including two related parties of the Company. At the time of issue, these shares had a fair value of $54,000, resulting in a gain on settlement of these liabilities of $36,000.

v) On April 30, 2015, the Company and the former Chief Executive Officer of the Company agreed to settle accounts payable of $115,000 with the issuance of 200,000 common shares of the Company and a cash payment of $15,000, subject to approval of the TSX Venture Exchange.

On June 18, 2015, the Company issued 50,000 common shares of the Company to settle $25,000 of the remaining $100,000 balance payable. At the time of issue, these shares had a fair value of $2,500, resulting in a gain on settlement of debt of $22,500. As at December 31, 2015, the company is committed to issuing 150,000 common shares to settle the remaining balance payable of $75,000.

vi) On August 10, 2015, the Company completed a consolidation of its share capital on a 10:1 basis. The number of shares presented throughout these financial statements reflect this share consolidation.

7. Share Capital (continued)

Common shares (continued)

Issued and outstanding (continued)

vii) On August 10, 2015 the Company completed a non-brokered private placement of 2,795,000 non-flow through units at a price of $0.05 and 700,000 flow-through units at a price of $0.05 per unit for gross proceeds of $174,750. Each unit consists of one common share of Satori and one non-transferable share purchase warrant. Each purchase warrant entitles the holder to acquire an additional common share at a price of $0.05 at any time for a period of five years. The Company remitted $2,124 to the TSX Venture Exchange, which is recorded as share issuance costs. The fair value of the Warrants of $157,275 has been credited to warrant reserve and deducted from share capital. The fair value of the warrants was derived using a Black-Scholes option pricing model. Assumptions used in the model were a share price of $0.05, a discount rate of 0.82% and annualized volatility of 150%. This issuance did not result in a flow-through premium.

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
Balance, December 31, 2013	**1,602,600**	**$ 0.50**
Issued	89,100	0.80 – 1.00
Exercised	(1,015,625)	0.50
Expired	(29,375)	1.30
Balance, December 31, 2014	**646,700**	**0.60**
Expired	(557,600)	0.30 – 0.50
Issued	3,495,000	0.05
Balance, December 31, 2015	**3,584,100**	**$ 0.05**

7. Share Capital (continued)

Warrant reserve (continued)

Warrants Outstanding

Warrant Type	Number of Warrants		Fair Value	Exercise Price	Date of Expiry
Finder’s	8,100	$	2,592	0.80	June 27, 2016
Investors	81,000		20,045	0.80	June 27, 2017
Investors	3,495,000		157,275	0.05	August 10, 2020
Balance, December 31, 2015	**3,584,100**	**$**	**179,912**		

Contributed Surplus

The following is a summary of changes in contributed surplus from January 1, 2015 to December 31, 2015:

		December 31, 2015		December 31, 2014
Opening balance	$	4,828,293	$	4,725,932
Expiry of warrants		27,628		8,161
Vesting of share-based payments		-		94,200
Ending balance	**$**	**4,855,921**	**$**	**4,828,293**

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)
Balance, December 31, 2013	**287,500**	**$1. 00**	**3.10**
Granted	210,000	0.50	
Granted	60,000	0.60	
Granted	30,000	0.50	
Cancelled	(5,000)	0.50	
Balance, December 31, 2014	**582,500**	**0.80**	**3.20**
Cancelled	(582,500)	0.80	
Balance, December 31,2015	**-**	**-**	**n/a**

On March 10, 2014, the Company issued 210,000 stock options to directors, officers and consultants. The stock options carry an exercise price of $0.50, vested immediately and expire five years from the grant date. The value ascribed to this issue, using a Black-Scholes option pricing model, was $56,700.

On May 16, 2014, the Company issued 60,000 stock options to directors, officers and consultants. The stock options carry an exercise price of $0.60, vested immediately and expire five years from the grant date. The value ascribed to this issue, using a Black-Scholes option pricing model, was $24,000.

On July 29, 2014, the Company issued 30,000 stock options to certain consultants. The stock options carry an exercise price of $0.50, vested immediately and expire five years from the grant date. The value ascribed to this issue, using a Black-Scholes option pricing model, was $13,500.

On November 27, 2015 the company cancelled all outstanding stock options.

9. Loss per Common Share

The options and warrants for the years ended December 31, 2015 and 2014 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, 2015	2014
Numerator:		
Loss attributable to common shareholders		
- basic and diluted	$(1,379,062)	$(669,272)
Denominator:		
Weighted-average common shares outstanding		
- basic and diluted	6,973,069	5,579,808
Basic and diluted loss per common share	$ (0.20)	$ (0.12)

10. Related Party Transactions

Management compensation

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

	Years Ended December 31, 2015	2014
Stock-based compensation	$ -	$ 38,000
Other compensation	154,338	182,500
Total management compensation	$ 154,338	$ 220,500

As of December 31, 2015, $57,018 (December 31, 2014 - $54,333) is owed to management and directors and is included in accounts payable and accrued liabilities on the statements of financial position.

11. 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) due 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 December 31, 2015, Satori had cash and temporary investments of $69,824 to settle current financial liabilities of $154,855 (December 31, 2014 - $215,465 to settle current financial liabilities of $118,656). 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.

12. Income Tax

Deferred taxes have not been recognized in respect of the deductible temporary differences set out below:

	2015	2014
Undeducted losses carried forward	$ 1,843,114	$ 1,548,788
Mineral properties and exploration related deductions	2,906,428	1,796,024
Undeducted share issue costs	7,772	8,818
Investment tax credits	67,850	67,850

The non-capital losses carried forward will expire between 2032 and 2035. The mineral properties and exploration related deductions and equipment may be carried forward indefinitely. The share issue costs will be deducted for tax purposes over the next five years.