

# **SANATANA RESOURCES INC.**

## **Condensed Interim Financial Statements**

**First Quarter Ended June 30, 2015**

Expressed in Canadian Dollars

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**NOTICE OF NO AUDITOR REVIEW OF CONDENSED  
INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim financial statements of Sanatana Resources Inc. for the three months ended June 30, 2015 have been prepared by the management of the Company and approved by the Company's audit committee.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of the condensed interim financial statements by an entity's auditor.

# Sanatana Resources Inc.

## Condensed Interim Statements of Financial Position

	Notes	June 30, 2015	March 31, 2015
		\$	\$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	3	23,407	94,403
Receivables	4	-	8,197
Prepaid expenses		15,333	21,453
<b>Total current assets</b>		<b>38,740</b>	<b>124,053</b>
Non-current assets			
Prepaid exploration and evaluation advance		16,218	23,013
Exploration and evaluation assets	5	4,627,814	4,562,595
Property and equipment	6	171,530	175,241
<b>Total non-current assets</b>		<b>4,815,562</b>	<b>4,760,849</b>
<b>Total assets</b>		<b>4,854,302</b>	<b>4,884,902</b>
<b>LIABILITIES</b>			
Current liabilities			
Payables and accruals	7	859,092	1,087,088
Provisions	8	130,000	130,000
Liability to renounce exploration expenditures		4,314	15,183
<b>Total liabilities</b>		<b>993,406</b>	<b>1,232,271</b>
<b>EQUITY</b>			
Share capital	9	42,776,892	42,776,892
Reserves	9	4,736,571	4,733,571
Deficit		(43,652,567)	(43,857,832)
<b>Total equity</b>		<b>3,860,896</b>	<b>3,652,631</b>
<b>Total equity and liabilities</b>		<b>4,854,302</b>	<b>4,884,902</b>

Signed on the Company's behalf by:

"Peter Miles", Director

Peter Miles

"Barry Fraser", Director

Barry Fraser

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

# Sanatana Resources Inc.

## Condensed Interim Statements of Comprehensive Income (Loss)

For the three months ended June 30,	Notes	2015	2014
		\$	\$
<b>Expenses</b>			
Depreciation	6	3,711	2,253
Director fees	11	34,000	31,500
Filing fees		752	859
Investor relations		1,432	13,179
Management fees and salaries	11	68,558	86,797
Office and administration		10,062	15,166
Professional fees		18,301	64,124
Rent		15,120	14,887
Share-based compensation	10	1,000	44,000
Transfer agent fees		3,025	1,422
Travel and accommodation		5,567	3,527
<b>Income (loss) before other income/expenses</b>		(161,528)	(277,714)
Litigation costs recovery	5	355,920	-
Interest and other income		4	9,412
<b>Income (loss) before income taxes</b>		194,396	(268,302)
Deferred income tax recovery		10,869	17,701
<b>Income (loss) and total comprehensive loss for the period</b>		205,265	(250,601)
<b>Income (loss) per share - basic and diluted</b>	12	0.00	(0.00)
<b>Weighted average common shares outstanding - basic and diluted</b>	12	127,761,073	120,973,573

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

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# Sanatana Resources Inc.

## Condensed Interim Statements of Changes in Equity

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	Common Shares \$	Reserves \$	Deficit \$	Equity \$
<b>Balance - March 31, 2014</b>	42,076,104	4,673,571	(42,795,027)	3,954,648
Share-based compensation	-	44,000	-	44,000
Loss for the period	-	-	(250,601)	(250,601)
<b>Balance - June 30, 2014</b>	42,076,104	4,717,571	(43,045,628)	3,748,047

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	Common Shares \$	Reserves \$	Deficit \$	Equity \$
<b>Balance - March 31, 2015</b>	42,776,892	4,733,571	(43,857,832)	3,652,631
Share-based compensation	-	3,000	-	3,000
Loss for the period	-	-	205,265	205,265
<b>Balance - June 30, 2015</b>	42,776,892	4,736,571	(43,652,567)	3,860,896

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

# Sanatana Resources Inc.

## Condensed Interim Statements of Cash Flows

For the three months ended June 30,	Notes	2015	2014
		\$	\$
<b>Cash provided by (used in):</b>			
<b>Operating activities:</b>			
Loss before income taxes		194,396	(268,302)
Adjustments for:			
Depreciation of property and equipment	6	3,711	2,253
Interest income		(4)	(9,412)
Bond recovery		-	(9,322)
Share-based compensation	10	1,000	44,000
Changes in non-cash working capital items:			
Receivables		8,197	8,959
Prepaid expenses		6,120	(4,736)
Payables and accruals		(225,996)	(43,627)
Provisions		-	34,000
		(12,576)	(246,187)
<b>Investing activities:</b>			
Prepaid exploration and evaluation advance		6,795	(16,605)
Reimbursable bonds and deposits		-	202,374
Exploration and evaluation assets	5	(65,219)	(42,949)
Interest received		4	9,412
		(58,420)	152,232
<b>Decrease in cash and cash equivalents</b>		(70,996)	(93,955)
<b>Cash and cash equivalents, beginning of period</b>		94,403	284,063
<b>Cash and cash equivalents, end of period</b>		23,407	190,108
<b>Cash and equivalents comprise:</b>			
Cash		23,407	10,079
Equivalents		-	180,029
		23,407	190,108

Supplementary cash flow information (note 13)

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

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

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### 1. Nature of Operations and Continuance of Operations

Sanatana Resources Inc. ("Sanatana" or the "Company") was incorporated as Sanatana Diamonds Inc. on June 25, 2004 under the British Columbia Business Corporations Act. The Company changed its name to Sanatana Resources Inc. on April 28, 2011. Sanatana is an exploration stage company, and its principal business activity is the acquisition, exploration and development of mineral properties. The Company holds interests in certain Ontario gold exploration claims and Saskatchewan diamond exploration claims.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company has not generated revenue from operations. The Company generated income of \$205,265 during the three months ended June 30, 2015 and, as of that date the Company's deficit was \$43,652,567. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash of \$23,407 at June 30, 2015 (March 31, 2015 - \$94,403).

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Changes in future conditions could require material write-downs of the carrying values of the exploration and evaluation assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, and non-compliance with regulatory requirements.

The head office and principal address of the Company are located at Suite 908 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. These financial statements are authorized for issue by the board of directors on August 27, 2015.

### 2. Basis of Presentation

The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

#### Statement of Compliance

These condensed interim financial statements of the Company for the three months ending June 30, 2015 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), on a basis consistent with the significant accounting policies disclosed in note 3 of the most recent annual financial statements as at and for the year ended March 31, 2015 as filed on SEDAR at [www.sedar.com](http://www.sedar.com). The condensed interim financial statements do not include all of the information required for full annual financial statements.

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

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### 2. Basis of Presentation (continued)

#### Basis of Measurement

The financial statements have been prepared on a historical cost basis.

The financial information is presented in Canadian dollars, which is the functional currency of the Company.

#### Critical accounting estimates and assumptions

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss/income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

#### Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company's internal estimates with future period amounts discounted to reflect the time value of money. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

#### Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

#### Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

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### 2. Basis of Presentation (continued)

#### Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. The Company believes it has adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

#### Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 10.

### 3. Cash and Cash Equivalents

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates. Short-term investment deposits included in cash and cash equivalents bear interest at 0.35% to maturity. Substantially all of the cash balance at June 30, 2015 was committed to satisfy obligations under a flow-through financing.

### 4. Receivables

	June 30, 2015	March 31, 2015
	\$	\$
GST - value added tax	-	8,197

**Sanatana Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
For the three months ended June 30, 2015

**5. Exploration and Evaluation Assets**

The exploration and evaluation assets of the Company are comprised as follows:

	March 31, 2014	Costs Incurred	March 31, 2015	Costs Incurred	June 30, 2015
	\$	\$	\$	\$	\$
Watershed Property	4,087,762	323,082	4,410,844	45,891	4,456,735
Green Lake Project	15,190	136,561	151,751	19,328	171,079
	4,102,952	459,643	4,562,595	65,219	4,627,814

**Watershed Property**

	March 31, 2014	Costs Incurred	March 31, 2015	Costs Incurred	June 30, 2015
	\$	\$	\$	\$	\$
Acquisition costs	2,098,389	-	2,098,389	-	2,098,389
Contractor and consultant	5,270,686	119,465	5,390,151	20,836	5,410,987
Helicopter and fixed wing aircraft costs	13,007	-	13,007	-	13,007
Expediting	5,216	-	5,216	-	5,216
Project management fees	491,405	112,250	603,655	20,500	624,155
Field and camp	292,236	13,504	305,740	374	306,114
Sampling and assays	1,213,678	25,129	1,238,807	-	1,238,807
Transport and accomodation	641,763	25,742	667,505	3,468	670,973
Reclamation provision	30,000	-	30,000	-	30,000
Permitting and other	97,382	26,992	124,374	713	125,087
Impairment	(6,066,000)	-	(6,066,000)	-	(6,066,000)
Watershed property	4,087,762	323,082	4,410,844	45,891	4,456,735

In February 2011, the Company entered into an option and joint venture agreement with Augen Gold Corp., which was subsequently acquired by Trelawney Mining and Exploration Inc. ("Trelawney") and renamed Trelawney Augen Acquisition Corp. ("TAAC"). In turn, Trelawney Mining and Exploration Inc. was purchased by IAMGOLD Corporation. The option and joint venture agreement grants the Company an option to acquire up to a 51% undivided interest in the rights to 46 mineral concessions (the "Claims"), all located in Ontario and owned by TAAC.

The Company has earned a 50% undivided interest in the Claims (the "50% Interest") by paying \$150,000 in cash, issuing 5,000,000 common shares and incurring exploration expenditures of \$5,000,000. The Company has continued exploration of the Claims and incurred a further \$4,365,000 in exploration and related expenditures that will be credited to the Company's contribution to the first work program after formation of a joint venture together with permitted administrative markup on these amounts.

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

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### 5. Exploration and Evaluation Assets (continued)

The Company has a right to earn a further 1% interest in the Claims for a total undivided interest of 51% by delivering a pre-feasibility study to TAAC on or before March 23, 2016. The parties will enter into a joint venture agreement for the Claims in accordance with the terms of the option and joint venture agreement on the earlier of the date that (i) Sanatana vests the 50% Interest but elects by notice to TAAC not to proceed to earn the 51% Interest; and (ii) Sanatana earns the 51% Interest.

The option and joint venture agreement includes a provision that while the Company and TAAC are parties to an option or joint venture with respect to the Claims, TAAC has the option to purchase up to 10% of any securities issued in equity offerings by the Company.

The Company agreed to pay a finders' fee in connection with the Watershed property that was payable in the Company's common shares. The amount of the finders' fee was based on the transaction value, as defined in the finder's fee agreement and settled through the issuance of 678,570 common shares with a value for accounting purposes of \$160,072.

The Company assesses its exploration and evaluation assets for impairment at the end of every fiscal quarter. At December 31, 2013, the Company recorded an impairment provision of \$6,066,000 against the Watershed Project. In determining the need for an impairment provision, the Company concluded that the carrying amount of the Watershed Project was unlikely to be recovered in full from successful development or by sale. It based this conclusion on the prevailing price of gold, difficulty in raising project development funds and the likelihood of concluding a satisfactory arrangement with IAMGOLD Corporation and its affiliates. The amount of the impairment provision was determined by reference to the Company's market capitalization at December 31, 2013. Based on its impairment evaluation at June 30, 2015, the Company concluded that no further impairment was necessary.

#### Rights Acquired

Trelawney, an affiliate of TAAC, previously acquired a 20% undivided interest in certain unpatented mining claims (the "Clam Lake Property") situated in the Yeo and Chester townships that are within the area of interest under the Company's option and joint venture agreement with TAAC. Concurrently, TAAC took an assignment of Crown Gold Corporation's ("Crown Gold") rights under an amendment and assignment of mining claim acquisition agreement (the "Acquisition Agreement").

In July 2013, Sanatana elected to (1) have the interest in the Clam Lake Property be included and form part of the Watershed Property for the benefit of Sanatana and TAAC and (2) acquire the rights under the Acquisition Agreement. The acquisition costs for the interest in the Clam Lake Property and the assignment of the Acquisition Agreement totalled \$143,317 and the Company has reimbursed TAAC for this amount.

# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

### 5. Exploration and Evaluation Assets (continued)

Under the terms of the underlying Acquisition Agreement, the Clam Lake Property are subject to the following terms:

- The 20% undivided legal and beneficial interest in the Clam Lake Property is identified as a “carried interest” under the Acquisition Agreement and is defined to mean that, until completion of a positive pre-feasibility study, all costs and expenses of the exploration programs, preparation and filing of assessment reports and other obligations relating to the Mining Claims are the sole obligation of Trelawney and Sanatana will not have any obligation in that regard.
- Upon completion and delivery of a positive pre-feasibility study to Sanatana and TAAC, Trelawney, TAAC and Sanatana will enter into a joint venture agreement for the further exploration and development of the Clam Lake Property on terms to be negotiated in good faith between the parties.
- If Sanatana’s and TAAC’s interest in the Clam Lake Property is diluted to an amount less than 10% then such interest which is less than 10% will be converted into a 2% net smelter returns royalty.
- So long as Sanatana and TAAC have any interest in the Clam Lake Property, Trelawney is required to deliver to Sanatana no less than quarter-yearly, complete copies of all reports, files, maps, core, samples, data and other information regarding the Clam Lake Property.
- The Clam Lake Property are subject to 2% net smelter return royalty, which can be reduced to 1% by paying the royalty holders \$1,000,000 at any time.

In April 2015, the Ontario Mining and Lands Commissioner ordered Trelawney to pay Sanatana \$402,000 for the Company's costs of defending Trelawney's failed easement application. Sanatana received these monies in May 2015.

#### Green Lake Project

In February 2014, the Company acquired a 100% interest in four mineral claims covering a combined area of approximately 6,000 hectares near Green Lake, Saskatchewan. In December 2014, the Company purchased additional mineral tenure bringing its land position to 85,000 hectares. The Company plans to undertake diamondiferous kimberlite exploration on these properties.

	March 31, 2014	Change	March 31, 2015	Change	June 30, 2015
	\$	\$	\$	\$	\$
Acquisition costs	3,531	48,061	51,592	-	51,592
Sampling and assays	146	-	146	-	146
Contractor and consultant	1,480	8,476	9,956	790	10,746
Project management fees	6,500	51,250	57,750	17,000	74,750
Field and camp	127	11,084	11,211	145	11,356
Transport and accomodation	3,406	17,690	21,096	924	22,020
Permitting and other	-	-	-	469	469
<b>Green Lake Project</b>	<b>15,190</b>	<b>136,561</b>	<b>151,751</b>	<b>19,328</b>	<b>171,079</b>

# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

### 6. Property and Equipment

	Office Furniture	Computer Equipment	Exploration Equipment	Trucks	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
At March 31, 2014	34,703	29,491	363,497	-	469,048
Additions	-	-	-	34,204	34,204
Disposals	-	(20,416)	-	-	(20,416)
At March 31, 2015 and June 30, 2015	34,703	9,075	363,497	34,204	482,836
<b>Accumulated Depreciation</b>					
At March 31, 2014	34,703	28,852	212,176	-	317,088
Charge for the period	-	639	8,004	2,280	10,923
Disposals	-	(20,416)	-	-	(20,416)
At March 31, 2015	34,703	9,075	220,180	2,280	307,595
Charge for the period	-	-	2,001	1,710	3,711
At June 30, 2015	34,703	9,075	222,181	3,990	311,306
<b>Net book value</b>					
At March 31, 2014	-	639	151,321	-	151,960
At March 31, 2015	-	-	143,317	31,924	175,241
At June 30, 2015	-	-	141,316	30,214	171,530

### 7. Payables and Accruals

	June 30, 2015	March 31, 2015
	\$	\$
Trade payables	390,686	633,679
Accrued liabilities	120,587	176,698
GST/HST payable	37,275	-
Exploration expenditures	23,555	45,457
Due to related parties	286,989	231,254
	859,092	1,087,088

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

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### 8. Provisions

Provisions comprise the estimated cost to undertake reclamation work at the Company's exploration properties.

The Company expects to complete the reclamation work within the next 12 months and accordingly has not applied any discount to reflect the time value of money.

	June 30, 2015	March 31, 2015
	\$	\$
Mackenzie Diamond Project reclamation	100,000	100,000
Watershed Property reclamation	30,000	30,000
	130,000	130,000

### 9. Share Capital and Reserves

#### Authorized share capital

Authorized share capital comprises an unlimited number of common shares with no par value.

#### Common Shares

##### Fiscal 2015

In October 2014, the Company closed a non-brokered private placement of units for gross proceeds of \$300,000 representing 2,500,000 units at a price of \$0.12 per unit. Each unit consisted of one flow-through common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase a common share at a price of \$0.15 until October 1, 2016. All securities issued under the offering were subject to a statutory hold period that ended on February 2, 2015.

In September 2014, the Company closed a non-brokered private placement of 2,750,000 units at \$0.10 per unit for gross proceeds of \$275,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.12 per share on or before September 17, 2015.

Concurrent with the closing of this offering, the Company cancelled 2,750,000 warrants issued on December 20, 2013. The cancelled warrants were exercisable until December 20, 2015 for the purchase of 2,750,000 shares at an exercise price of \$0.10 per share.

In the year ended March 31, 2015, 1,537,500 warrants were exercised for gross proceeds of \$184,500.

# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

### 9. Share Capital and Reserves (continued)

The following is a summary of changes in common share capital from March 31, 2014 to June 30, 2015:

	Notes	Number of Shares	Issue Price \$	Common Shares \$
Balance - March 31, 2014		120,973,573		42,076,104
Private placement		2,750,000	0.10	275,000
Private placement of flow-through shares		2,500,000	0.12	300,000
Exercise of warrants		1,537,500	0.12	184,500
Liability to renounce exploration expenditures		-	-	(50,000)
Less share issue costs		-	-	(8,712)
Balance - March 31, 2015 and June 30, 2015		127,761,073		42,776,892

### Reserves

Reserves comprise the fair value of stock option grants and agent warrants prior to exercise. The following is a summary of changes in reserves from March 31, 2014 to June 30, 2015:

	\$
Balance March 31, 2014	4,673,571
Share-based compensation	60,000
Balance March 31, 2015	4,733,571
Share-based compensation	3,000
Balance June 30, 2015	4,736,571

### Warrants

The Company's movement in share purchase warrants is as follows:

	June 30, 2015		March 31, 2015	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of period	13,455,000	\$0.12	16,749,250	\$0.17
Granted	-	-	4,000,000	0.13
Exercised	-	-	(1,537,500)	0.12
Cancelled	-	-	(5,756,750)	0.26
Balance, end of period	13,455,000	0.12	13,455,000	0.12

# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

### 9. Share Capital and Reserves (continued)

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Financing Warrants	Broker Warrants
August 14, 2015	\$ 0.12	8,500,000	330,000
October 16, 2015	\$ 0.12	625,000	-
September 17, 2015	\$ 0.12	2,750,000	
October 1, 2016	\$ 0.15	1,250,000	
		13,125,000	330,000

Subsequent to quarter end, 8,500,000 financing warrants and 330,000 broker warrants expired.

### Nature and Purpose of Reserves and Deficit

The reserves recorded in equity on the Company's statement of financial position comprise contributed surplus and deficit. Reserves are used to recognize the fair value of share option grants and agent warrants prior to exercise. Deficit records the Company's cumulative earnings or loss.

### 10. Share-Based Payments

The Company has a rolling stock option plan that allows the Company's board of directors to issue options to purchase up to 10% of the common shares outstanding at the grant date. Directors, officers, consultants and employees of the Company are eligible to receive stock options, subject to the policies of the Exchange. The directors may set option terms, but options granted under the plan typically have a life of five years and vest over an 18-month period. Share-based payments expense is amortized over the vesting period. The Company's shareholders reconfirmed the option plan in December 2014.

In March 2014, the Company awarded options to purchase up to 1,500,000 common shares of the Company at a price of \$0.10 per share to the Company's board chairman. The Company committed to grant options to purchase a further 500,000 common shares and in fiscal 2015 accrued a value for those options of \$13,000. The Company has reduced the value of that accrual to \$11,000 reflecting the adjusted value of options at June 30, 2015.

	June 30, 2015		March 31, 2015	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of period	11,825,000	\$0.25	12,050,000	\$0.25
Granted	-	-	-	-
Expired	-	-	-	-
Forfeited	(875,000)	0.31	(225,000)	0.10
Balance, end of period	10,950,000	\$0.24	11,825,000	\$0.25

**Sanatana Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
For the three months ended June 30, 2015

**10. Share-Based Payments (continued)**

Summary of outstanding options at June 30, 2015:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
\$0.10	4,200,000	\$0.10	3.31 years	3,650,000	\$0.10
\$0.30-\$0.35	6,250,000	0.32	1.28 years	6,250,000	0.32
\$0.40-\$0.50	500,000	0.48	1.49 years	500,000	0.48
	10,950,000	\$0.24	2.07 years	10,400,000	\$0.25

The Company incurred a charge of \$1,000 (2014 - \$44,000) for share-based payments for the three months ended June 30, 2015 representing a charge of \$3,000 for options vesting in the period offset by an adjustment to accrued share-based compensation of \$2,000 as described above.

The fair value of the share-based payments was estimated using the Black-Scholes option pricing model with the following assumptions:

For the three months ended June 30,	2015	2014
Dividend yield	0%	0%
Risk-free interest rate	1.3%	1.2%
Estimated volatility	96%	132%
Expected life in years	5	5

**11. Related Party Transactions and Balances**

The Company incurred key management and board of directors' compensation as follows:

For the three months ended June 30,	2015	2014
	\$	\$
Salary	45,000	58,601
Director fees	34,000	31,500
Short-term benefits	1,098	1,095
Management fees - expensed	4,260	5,140
Technical fees - capitalized	-	7,000
Share-based payments	-	11,000
<b>Total</b>	<b>84,358</b>	<b>114,336</b>

Included in the above is compensation paid through companies:

Lithosphere Services Inc.	-	7,000
S2 Management Inc.	4,260	5,140

Lithosphere Services Inc. is controlled by Mr. Doyle the Company's VP Exploration and a director. S2 Management Inc. is controlled by the Company's CFO.

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

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### 11. Related Party Transactions and Balances (continued)

Balances due to related parties that are included in accounts payable and accrued liabilities comprise:

	June 30, 2015	March 31, 2015
	\$	\$
Directors and officers	284,899	221,899
Lithosphere Services Inc.	-	7,350
S2 Management Inc.	2,090	2,005
	<u>286,989</u>	<u>231,254</u>

Related party balances are due on demand, bear no interest and are current liabilities.

### 12. Income (loss) per Share

The calculation of the basic and diluted income (loss) per share for the periods presented is based on the following data:

For the three months ending June 30,	2015	2014
Income (loss) for the period	205,265	(\$250,601)
Weighted average number of common shares outstanding	127,761,073	120,973,573
Income (loss) per share	<u>0.00</u>	<u>(\$0.00)</u>

Diluted income (loss) per share for year ended June 30, 2015 and 2014 is the same as basic income (loss) per share as the impact of the exercise of the share options and warrants is anti-dilutive.

### 13. Supplemental Cash Flow Information

Non-cash financing and investing activities included the following:

For the three months ended June 30,	2015	2014
	\$	\$
Non-cash investing activities:		
Accounts payable included in exploration and evaluation assets	(23,555)	27,802
Non-cash financing activities:		
Liability to renounce exploration expenditures	10,869	17,701

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2015

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### 14. Commitments and Contingent Liabilities

- a) The Company is contractually committed to make payments regarding premises lease, truck and employment as follows:

Period ending March 31, 2016	<u>\$ 162,000</u>
	<u>\$ 162,000</u>

- b) In the event of a change of control of the Company, the Company may be required to pay up to \$1,456,000 to directors, officers, employees and a contractor.
- c) The Company's Watershed Property is subject to a dispute with Trelawney. In the event that the Company reaches a settlement with Trelawney, IAMGOLD Corporation, or any of their affiliates regarding the Company's interests in the vicinity of the Côté gold deposit, the Company will pay a bonus to Barry Fraser, its board chairman. The bonus amount shall be determined as (a) 5% of the amount of any settlement or transaction up to \$10,000,000; and (b) 2.5% of the balance of such amount.
- d) During the year ended March 31, 2015, the Company undertook a new flow-through financing and at June 30, 2015 was obliged, under the terms of the financing and related tax law, to expend \$25,883 on mineral exploration before December 31, 2015.

### 16. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties.