

# **SANATANA RESOURCES INC.**

## **Financial Statements**

**Year Ended March 31, 2017**

Expressed in Canadian Dollars

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## Independent Auditor's Report

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To the Shareholders of  
Sanatana Resources Inc.

We have audited the accompanying financial statements of Sanatana Resources Inc., which comprise the statements of financial position as at March 31, 2017 and 2016 and the statements of 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.

### Auditor's 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 auditor's 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 in our audits 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 Sanatana Resources Inc. as at March 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$502,375 during the year ended March 31, 2017 and, as of that date, had an accumulated deficit of \$47,459,281. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO Canada LLP"

Chartered Professional Accountants  
Vancouver, British Columbia  
July 20, 2017

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# Sanatana Resources Inc.

## Statements of Financial Position

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	Notes	March 31, 2017 \$	March 31, 2016 \$
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	5	1,169,614	1,160,283
Receivables	6	6,167	16,280
Prepaid expenses		28,527	10,883
<b>Total current assets</b>		<b>1,204,308</b>	<b>1,187,446</b>
Non-current assets			
Equipment	8	19,176	25,084
<b>Total non-current assets</b>		<b>19,176</b>	<b>25,084</b>
<b>Total assets</b>		<b>1,223,484</b>	<b>1,212,530</b>
<b>LIABILITIES</b>			
Current liabilities			
Payables and accruals	9	323,895	726,645
<b>Total liabilities</b>		<b>323,895</b>	<b>726,645</b>
<b>EQUITY</b>			
Share capital	12	43,428,571	42,707,020
Reserves	12	4,930,299	4,735,771
Deficit		(47,459,281)	(46,956,906)
<b>Total equity</b>		<b>899,589</b>	<b>485,885</b>
<b>Total equity and liabilities</b>		<b>1,223,484</b>	<b>1,212,530</b>

Signed on the Company's behalf by:

"Peter Miles", Director

Peter Miles

"Darcy Will", Director

Darcy Will

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

# Sanatana Resources Inc.

## Statements of Comprehensive Loss

For the year ended March 31,	Notes	2017	2016
		\$	\$
<b>Expenses</b>			
Depreciation	8	7,104	12,843
Director fees	14	-	70,310
Exploration expenses		28,029	-
Filing fees		13,733	18,152
Investor relations		29,554	5,215
Management fees and salaries	14	268,488	280,492
Office and administration		33,071	41,947
Professional fees		67,768	144,918
Rent		16,922	42,133
Share-based compensation	13	-	(10,800)
Transfer agent fees		16,387	17,452
Travel and accommodation		43,052	23,896
<b>Loss before other income/expenses</b>		(524,108)	(646,558)
Capital asset impairment	8	-	(65,000)
Exploration and evaluation assets impairment	7	-	(2,732,932)
Reclamation expense		-	(150,264)
Loss on sale of equipment		-	(4,097)
Litigation costs recovery		-	355,920
Other expense		(5,000)	-
Gain on sale of exploration and evaluation assets		-	59,328
Gain on settlement of debt	9	26,554	61,488
Interest and other income		179	7,858
<b>Loss before income taxes</b>		(502,375)	(3,114,257)
Deferred income tax recovery		-	15,183
<b>Loss and total comprehensive loss for the year</b>		(502,375)	(3,099,074)
<b>Loss per share - basic and diluted</b>	15	(0.00)	(0.02)
<b>Weighted average common shares outstanding - basic and diluted</b>	15	121,095,204	127,321,984

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

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# Sanatana Resources Inc.

## Statements of Changes in Equity

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	Notes	Common Shares \$	Reserves \$	Deficit \$	Equity \$
<b>Balance - March 31, 2015</b>		42,776,892	4,733,571	(43,857,832)	3,652,631
Shares returned to treasury	12	(69,872)	-	-	(69,872)
Share-based compensation	13	-	2,200	-	2,200
Loss for the year		-	-	(3,099,074)	(3,099,074)
<b>Balance - March 31, 2016</b>		42,707,020	4,735,771	(46,956,906)	485,885
Private placement,	12	186,000	194,528	-	380,528
Private placement of flow-through shares	12	543,500	-	-	543,500
Finder's fee	12	5,800	-	-	5,800
Share issuance costs	12	(13,749)	-	-	(13,749)
Loss for the year		-	-	(502,375)	(502,375)
<b>Balance - March 31, 2017</b>		43,428,571	4,930,299	(47,459,281)	899,589

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

# Sanatana Resources Inc.

## Statements of Cash Flows

For the year ended March 31,	Notes	2017	2016
		\$	\$
<b>Cash provided by (used in):</b>			
<b>Operating activities:</b>			
Loss before income taxes		(502,375)	(3,114,257)
Adjustments for:			
Depreciation of property and equipment	8	7,104	12,843
Interest income		(179)	(4)
Impairment of prepaid expenses		-	-
Gain on settlement of debt	9	(26,554)	(61,488)
Share-based compensation	13	-	(10,800)
Capital asset impairment	8	-	65,000
Reclamation expense		-	150,264
Exploration and evaluation assets impairment	7	-	2,732,932
Gain on sale of exploration and evaluation assets		-	(59,328)
Loss on sale of equipment		-	4,097
Changes in non-cash working capital items:			
Receivables		10,113	(8,083)
Prepaid expenses		(17,644)	10,570
Payables and accruals		(80,668)	(285,702)
		(610,203)	(563,956)
<b>Investing activities:</b>			
Prepaid exploration and evaluation advance		-	23,013
Exploration and evaluation assets		-	(244,688)
Reclamation expense		-	(129,493)
Equipment purchases	8	(1,196)	-
Proceeds from sale of exploration and evaluation assets	7	-	1,981,000
Interest received		179	4
		(1,017)	1,629,836
<b>Financing activities</b>			
Issuance of common shares, net of costs		620,551	-
		620,551	-
<b>Decrease in cash and cash equivalents</b>		9,331	1,065,880
<b>Cash, beginning of year</b>		1,160,283	94,403
<b>Cash, end of year</b>		1,169,614	1,160,283
<b>Cash and equivalents comprise:</b>			
Cash		769,614	1,160,283
Equivalents		400,000	-
		1,169,614	1,160,283

Supplementary cash flow information (note 16)

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

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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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, although it did not hold any mineral properties at March 31, 2017.

The Company is evaluating mineral properties interests but has not yet identified a suitable target. The Company has not generated revenue from operations and has no immediate plans that could generate cash from operations. The Company incurred a loss of \$502,375 during the year ended March 31, 2017 and, as of that date the Company's deficit was \$43,459,281. 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 \$1,169,614 at March 31, 2017 (March 31, 2016 - \$1,160,283).

The head office and principal address of the Company are located at Suite 1910 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. These financial statements were authorized for issue by the board of directors on July 27, 2017.

### 2. Basis of Presentation

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

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collectively includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB, effective for the Company's reporting for the year ended March 31, 2017.

The financial statements have been prepared under the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

### 3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

#### a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 3. Summary of Significant Accounting Policies (continued)

#### b) Mineral Exploration and Evaluation Expenditures

##### Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

##### Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

#### c) Reclamation Deposits

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits. Reclamation deposits are classified as loans and receivables.

#### d) Property and Equipment

##### Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 3. Summary of Significant Accounting Policies (continued)

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

#### Subsequent Costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

#### Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

#### Gains and Losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in profit and loss.

#### Depreciation

Depreciation is recognized in profit or loss and is provided on a straight-line basis over the estimated useful life of the assets as follows:

Computer equipment	Straight line over 3 Years
Office furniture	Straight line over 5 Years
Mining equipment	Straight line over 5-25 Years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

#### e) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company performs impairment testing on each cash-generating unit.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 3. Summary of Significant Accounting Policies (continued)

An impairment loss is charged to profit or loss, except to the extent it reverses gains previously recognized in accumulated other comprehensive loss/income.

#### f) Financial Instruments

##### Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

##### Loans and Receivables

These assets, including receivables, prepaid bonds and deposits, are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

##### Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

##### Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise payables and accruals. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 3. Summary of Significant Accounting Policies (continued)

#### g) Provisions

##### Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

#### h) Income Taxes

Income tax expense comprises current and deferred tax expense. Current tax and deferred tax expense are recognized in net income or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### i) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 3. Summary of Significant Accounting Policies (continued)

#### Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognised as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as a commitment.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "look-back rule", in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

#### j) Earnings / Loss Per Share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

#### k) Share-based Payments

When equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 3. Summary of Significant Accounting Policies (continued)

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

#### l) Standards, Amendments and Interpretations Not Yet Effective

IASB or the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for accounting years beginning on or after April 1, 2017. None of these are expected to be relevant to the Company's financial statements, except for the following:

##### IFRS 9 Financial Instruments

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 will be effective for the fiscal year beginning April 1, 2018. The Company is evaluating the impact of the new standard.

##### IFRS 16 - Leases

IFRS 16 - Leases specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring that lessees recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and will be applicable to the Company's fiscal year beginning April 1, 2019, although early adoption is permitted. The Company has not yet assessed the impact of this standard or determined whether it will early adopt.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 3. Summary of Significant Accounting Policies (continued)

#### Amendments to IAS 1 Presentation of Financial Statements

The amendments to IAS 1 are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary statements provide options on the ordering of financial statements and additional guidance on the presentation of other comprehensive income related to equity accounted investments. These amendments will be effective for the Company's fiscal year beginning April 1, 2016. The adoption of this standard did not have a significant impact on the Company's financial statements.

### 4. Critical Accounting Estimates and Judgements

Sanatana 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:

#### 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.

#### 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.

# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

### 4. Critical Accounting Estimates and Judgements (continued)

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 13.

### 5. 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.

### 6. Receivables

At March 31,	2017	2016
	\$	\$
Other	-	16,280
GST - value added tax	6,167	-
	6,167	16,280

### 7. Exploration and Evaluation Assets

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

	March 31, 2015	Costs Incurred	Impairment	Sale	March 31, 2016 and 2017
	\$	\$	\$	\$	\$
Watershed Property	4,410,844	152,678	(2,541,978)	(2,021,544)	-
Green Lake Project	151,751	39,203	(190,954)	-	-
Jackfish Property	-	-	-	-	-
	4,562,595	191,881	(2,732,932)	(2,021,544)	-

# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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

#### Jackfish Property

In February 2017, the Company entered into option agreements to acquire a 100% interest in the Jackfish gold exploration property in Ontario from three vendor groups. At March 31, 2017 the option agreements were subject to TSX Venture Exchange approval, which was subsequently granted in June 2017.

In order to acquire a 100% interest in the Jackfish property, Sanatana must pay cash of \$375,000 over a 24-month period; issue 10,500,000 of the Company's common shares over a 24-month period; reimburse exploration expenditures of \$20,000 on closing and incur exploration expenditures of \$600,000 over a 24-month period. The Company also has obligations to pay cash of \$1,000,000 following receipt of a positive feasibility study and to pay royalties on various terms, some of which can be reduced in exchange for cash payments.

#### Watershed Property

	March 31, 2015	Change in the year	Sale	March 31, 2016 and 2017
	\$	\$	\$	\$
Acquisition costs	2,098,389	-	(2,098,389)	-
Contractor and consultant Helicopter and fixed wing aircraft costs	5,390,151	53,454	(5,443,605)	-
Expediting	13,007	-	(13,007)	-
Project management fees	5,216	-	(5,216)	-
Field and camp	603,655	72,000	(675,655)	-
Sampling and assays	305,740	13,178	(318,918)	-
Transport and accomodation	1,238,807	266	(1,239,073)	-
Reclamation provision	667,505	11,407	(678,912)	-
Permitting and other	30,000	-	(30,000)	-
Impairment	124,374	2,373	(126,747)	-
	(6,066,000)	(2,541,978)	8,607,978	-
Watershed property	4,410,844	(2,389,300)	(2,021,544)	-

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. and renamed Trelawney Augen Acquisition Corp. ("TAAC"). In turn, Trelawney Mining and Exploration Inc. was purchased by IAMGOLD Corporation. By making cash payments, issuing common shares and undertaking exploration, the Company earned an interest in mineral concessions located in Ontario and owned by TAAC.

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.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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

Through to December 31, 2015, the Company had recorded a cumulative impairment provision of \$8,607,978 against the Watershed Project. This amount included a provision booked at December 31, 2015 when the Company concluded that the carrying amount of the Watershed Project was unlikely to be recovered in full from successful development or by sale. The Company's impairment evaluation at December 31, 2015 reflected discussions with TAAC regarding the possible divestiture of the Watershed Property. While the transactions terms had not been finalized at the fiscal period end, the Company concluded that it should provide a further impairment provision of \$2,541,978 to bring the carrying value of the Watershed Property to \$2,000,000, being the expected short-term cash proceeds from the sale.

The transaction closed on March 9, 2016 resulting in a gain on sale of \$59,328 based on the fair value of net proceeds (\$2,069,872), less the carrying value of the property (\$1,991,544 net of reclamation provision) and a success fee paid to the Company's former chairman of \$19,000. The fair value of net proceeds was determined as cash received (\$2,000,000), the fair value of common shares returned to the Company (6,987,239 common shares at \$0.01 per share, being the closing price on the day before the transaction completed) and the estimated fair value of contingent payments and net smelter returns royalty (\$nil). The Company did not assign any value to the contingent payments or net smelter returns royalty as it concluded that the risk-adjusted present value of expected proceeds from these cash streams was immaterial based on prevailing gold prices.

#### Green Lake Project

The Company acquired its rights to the Green Lake Diamond Exploration Property in two stages. The Company's last exploration rights lapsed in December 2016 and Company no longer has an economic interest in the property.

At March 31, 2016, the Company completed a review of the Green Lake property. Due to uncertainty regarding the outcome of land access negotiations, the Company fully impaired the project's carrying value.

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	March 31, 2015	Change	March 31, 2016 and 2017
	\$	\$	\$
Acquisition costs	51,592	-	51,592
Sampling and assays	146	-	146
Contractor and consultant	9,956	790	10,746
Project management fees	57,750	34,500	92,250
Field and camp	11,211	297	11,508
Transport and accomodation	21,096	1,480	22,576
Permitting and other	-	2,136	2,136
Impairment	-	(190,954)	(190,954)
Green Lake Project	151,751	(151,751)	-

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

### 8. Equipment

	Office Furniture	Computer Equipment	Exploration Equipment	Trucks	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
At March 31, 2015	34,703	9,075	363,497	34,204	441,479
Disposals	-	-	(300,000)	-	(300,000)
At March 31, 2016	34,703	9,075	63,497	34,204	141,479
Additions	-	1,196	-	-	1,196
At March 31, 2017	34,703	10,271	63,497	34,204	142,675
<b>Accumulated Depreciation</b>					
At March 31, 2015	34,703	9,075	220,180	2,280	266,238
Charge for the period	-	-	6,003	6,840	12,843
Disposals	-	-	(162,686)	-	(162,686)
At March 31, 2016	34,703	9,075	63,497	9,120	116,395
Charge for the period	-	264	-	6,840	7,104
At March 31, 2017	34,703	9,339	63,497	15,960	123,499
<b>Impairment</b>					
At March 31, 2015	-	-	-	-	-
Charge for the period	-	-	65,000	-	65,000
Disposals	-	-	(65,000)	-	(65,000)
At March 31, 2016 and 2017	-	-	-	-	-
<b>Net book value</b>					
At March 31, 2015	-	-	143,317	31,924	175,241
At March 31, 2016	-	-	-	25,084	25,084
At March 31, 2017	-	932	-	18,244	19,176

At December 31, 2015, the Company concluded that changes in the exploration sector had resulted in a permanent impairment of the carrying value of its drill. Accordingly, the Company recorded a \$65,000 impairment provision to adjust the carrying value of the drill to its expected fair value less costs of disposal.

In March 2016, the Company sold its drill as settlement of debt with one of its creditors for \$68,217.

# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

### 9. Payables and Accruals

At March 31,	2017	2016
	\$	\$
Trade payables	289,910	315,467
Accrued liabilities	16,087	110,587
GST/HST payable	-	441
Due to related parties	17,898	300,150
	323,895	726,645

In the year ended March 31, 2017, the Company reached agreements with suppliers, employees and directors to settle amounts due at less than face value. The Company paid cash of \$25,000 (2016 - \$168,000), issued 2,020,000 units with a value of \$295,528 (2016 - \$nil) and made payroll deductions of \$30,514 (2016 - \$nil) to settle obligations of \$377,596 (2016 - \$232,538) resulting in a gain on settlement, net of sales taxes of \$26,554 (2016 - \$61,488).

### 10. Provisions

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

	Mackenzie		
	Diamond Project	Watershed Property	Total
	\$	\$	\$
At March 31, 2015	100,000	30,000	130,000
Reclamation costs incurred	(250,264)	-	(250,264)
Expensed	150,264	-	150,264
Obligation assumed by purchaser on sale of property	-	(30,000)	(30,000)
At March 31, 2016 and 2017	-	-	-

### 11. Income Taxes

The material components of the income tax expense for the years ended March 31, 2017 and 2016 are as follows:

For the year ended March 31,	2017	2016
	\$	\$
Current tax recovery (expense)	-	-
Deferred tax recovery (expense)	-	15,183
Total income tax recovery (expense)	-	15,183

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

### 11. Income Taxes (continued)

For the year ended March 31,	2017	2016
	\$	\$
Loss for the year before taxes	(502,375)	(3,114,257)
Statutory tax rate	26.00%	26.00%
Expected income tax recovery	130,600	809,700
Increase (decrease) in income tax recovery resulting from:		
Non-deductible expenses	(400)	2,500
Share issue costs	2,200	-
Impact of underprovision in prior year	1,300	17,800
Expiry of loss carry forward	-	-
Reversal of flow-through shares premium liability	-	15,183
Renunciation of eligible expenditures	-	(41,500)
Change in unrecognized deferred tax asset	(133,700)	(788,500)
Actual income tax recovery (expense)	-	15,183

Effective April 1, 2015, the Canadian Federal tax rate remained at 15% and the British Columbia provincial tax rate remained at 11%.

The significant components of the Company's deferred income tax assets and liabilities after applying enacted corporate tax rates are as follows:

At March 31,	2017	2016
	\$	\$
Deferred tax assets:		
Non-capital losses	3,611,200	3,468,700
Share issuance costs and others	114,100	126,900
Exploration and evaluation assets	3,119,000	3,115,000
	6,844,300	6,710,600
Unrecognized deferred tax assets	(6,844,300)	(6,710,600)
Deferred tax assets	-	-

At March 31, 2017, the Company has accumulated Canadian Exploration and Development Expenditures of \$11,967,934 (2016 - \$11,981,000) and has accumulated non-capital losses totalling \$13,889,248 (2016 - \$13,344,000), which expire in various amounts from 2026 to 2037.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 11. Income Taxes (continued)

In assessing the realizability of deferred tax assets, management considers whether it is possible that some portion of all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the deferred tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

During the year ended March 31, 2017, the Company renounced proceeds of flow-through share issuances of \$nil (2016 - \$nil).

### 12. Share Capital and Reserves

#### Authorized share capital

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

#### Common Shares

##### Fiscal 2017

In March 2017, the Company completed a non-brokered private placement of 10,870,000 flow-through units ("FT Units") at \$0.05 per FT Unit and 3,720,000 non-flow-through units ("Units") at \$0.05 per Unit for aggregate gross proceeds of \$729,500 plus \$194,528 related to certain suppliers, vendors and directors who settled amounts owed to them concurrent with the non-flow-through private placement.

Each FT Unit comprised one common share of the Company that is a "flow-through share" within the meaning of the Income Tax Act (Canada) and one whole warrant. Each Unit comprised one non-flow-through common share of the Company and one warrant. Each warrant entitles the holder to purchase one additional non-flow-through common share of the Company at a price of \$0.10 per common share for a period of 24 months from closing. Securities issued with the FT Units are subject to a hold period expiring July 22, 2017 and the securities issued with the Units are subject to a hold period expiring July 30, 2017.

The Company paid finders' fees of \$7,000, \$1,200 in cash and \$5,800 by issuing 116,000 non-flow-through common shares of the Company at a deemed price of \$0.05 per non-flow-through common share.

##### Fiscal 2016

As part of the agreement of sale of the Watershed Property to TAAC, TAAC and its affiliates returned 6,987,239 common shares of the Company valued at \$69,872.

# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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

The following is a summary of changes in common share capital from March 31, 2015 to March 31, 2017:

	Number of Shares	Share Price \$	Common Shares \$
Balance - March 31, 2015	127,761,073		42,776,892
Shares returned to treasury	(6,987,239)	0.01	(69,872)
Balance - March 31, 2016	120,773,834		42,707,020
Private placements	3,720,000	0.05	186,000
Private placement of flow-through shares	10,870,000	0.05	543,500
Finder's fee issued as shares	116,000	0.05	5,800
Less share issue costs	-	-	(13,749)
Balance - March 31, 2017	135,479,834		43,428,571

#### Reserves

Reserves comprise the fair value of stock option grants, agent warrants prior to exercise and settlement of amounts with existing shareholders. The following is a summary of changes in reserves from March 31, 2015 to March 31, 2017:

	\$
Balance March 31, 2015	4,733,571
Share-based compensation	2,200
Balance March 31, 2016	4,735,771
Units issued to existing shareholders on settlement of amounts owing	194,528
Balance March 31, 2016 and 2017	4,930,299

#### Warrants

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

	March 31, 2017		March 31, 2016	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of year	1,250,000	\$0.15	13,455,000	\$0.12
Granted	14,590,000	0.10	-	-
Expired	(1,250,000)	0.15	(12,205,000)	0.12
Balance, end of year	14,590,000	0.10	1,250,000	0.15

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Financing Warrants
March 21, 2019	\$ 0.10	10,870,000
March 29, 2019	\$ 0.10	3,720,000
		14,590,000

### 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.

### 13. 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 TSX Venture 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 2016.

In fiscal 2015, the Company committed to grant options to purchase up to 500,000 common shares and accrued a value for those options of \$13,000. The director resigned before the options were rewarded and so the comparative period comprehensive loss includes a \$13,000 recovery of stock-based compensation in this regard.

	March 31, 2017		March 31, 2016	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of year	4,950,000	\$0.27	11,825,000	\$0.25
Forfeited or expired	(400,000)	0.50	(6,875,000)	0.24
Balance, end of year	4,550,000	\$0.25	4,950,000	\$0.27

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 13. Share-Based Payments (continued)

Summary of outstanding options at March 31, 2017:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
\$0.10	1,900,000	\$0.10	1.88 years	1,900,000	\$0.10
\$0.35	2,550,000	0.35	0.24 years	2,550,000	0.35
\$0.40	100,000	0.40	0.49 years	100,000	0.40
	4,550,000	\$0.25	0.93 years	4,550,000	\$0.25

The Company incurred an expense of \$nil (2016 – recovery of \$10,800) for share-based payments for the year ended March 31, 2017.

In the current fiscal period, there was no share-based compensation expense.

### 14. Related Party Transactions and Balances

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

For the year ended March 31,	2017	2016
	\$	\$
Salary	120,000	145,000
Director fees	-	70,310
Success fee paid to director	-	19,000
Short-term benefits	4,428	4,384
Management fees - expensed	11,980	19,130
Share-based payments	-	(12,000)
<b>Total</b>	<b>136,408</b>	<b>245,824</b>

Included in the above is compensation paid through companies:

S2 Management Inc.	11,980	19,130
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S2 Management Inc. is controlled by the Company's CFO.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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

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

At March 31,	2017	2016
	\$	\$
Directors and officers	15,000	298,596
S2 Management Inc.	2,898	1,554
	17,898	300,150

During the year ended March 31, 2017, the Company issued 1,340,000 shares to key management for settlement of amounts owing. (notes 9 and 12).

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

### 15. Loss per Share

The calculation of the basic and diluted loss per share for the years presented is based on the following data:

For the year ending March 31,	2017	2016
Loss for the year	(\$502,375)	(\$3,099,074)
Weighted average number of common shares outstanding	121,095,204	127,321,984
Loss per share	(\$0.00)	(\$0.02)

Diluted loss per share for the years ended March 31, 2017 and 2016 is the same as basic loss per share as the impact of the exercise of the share options and warrants is anti-dilutive.

### 16. Supplemental Cash Flow Information

Non-cash financing and investing activities included the following:

For the year ended March 31,	2017	2016
	\$	\$
Non-cash financing activities:		
Shares returned to treasury	-	69,872
Liability to renounce exploration expenditures	-	15,183
Issuance of shares for settlement of payable balances	101,000	-

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 17. Commitments

- a) In the event of a change of control of the Company, the Company may be required to pay up to \$513,000 to directors, officers, employees and a contractor.
- b) In March 2017, the Company undertook a flow-through financing (note 12) and at March 31, 2017 was obliged, under the terms of the financing and related tax law, to expend \$543,500 on mineral exploration before December 31, 2018.
- c) The Company is contractually committed to make payments regarding premises lease as follows:

Year ending March 31, 2018	\$ 52,526
Year ending March 31, 2019	\$ 42,976
	<u>\$ 95,502</u>

### 18. Segmented Information

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

### 19. Capital Management

The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support its exploration activities and to maintain corporate and administrative functions. The Company defines capital as equity, consisting of the issued common shares, share purchase options and warrants. The capital structure of the Company is managed to provide sufficient funding for mineral exploration and other operating activities. Funds are primarily secured through a combination of equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the year ended March 31, 2017.

### 20. Financial Risk Management

#### Interest Rate Risk

The Company's interest rate risk mainly arises from changes in the interest rates on cash and equivalents. Cash and equivalents generate interest based on market interest rates. At March 31, 2017, the Company was not subject to significant interest rate risk.

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 20. Financial Risk Management

#### Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk arises primarily with respect to money market investments.

The Company manages its credit risk by investing only in obligations of any province of Canada, Canada or their respective agencies; banker's acceptances purchased in the secondary market and having received the highest credit rating from a recognized rating agency in Canada, with a term of less than 180 days; and bank term deposits and bearer deposit notes, with a term of less than 180 days.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and amounts receivable.

#### Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. If necessary, the Company may raise funds through the issuance of debt, equity or sale of non-core assets. The Company manages capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and matching the maturity profile of financial assets to development, capital and operating needs.

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At March 31, 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets:				
Cash and cash equivalents	1,169,614	-	-	1,169,614
	1,169,614	-	-	1,169,614
Liabilities:				
Payables and accruals	297,895	-	-	297,895
	297,895	-	-	297,895

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At March 31, 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets:				
Cash and cash equivalents	1,160,283	-	-	1,160,283
	1,160,283	-	-	1,160,283
Liabilities:				
Payables and accruals	726,645	-	-	726,645
	726,645	-	-	726,645

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# Sanatana Resources Inc.

## Notes to the Financial Statements

For the year ended March 31, 2017

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### 21. Events after the Reporting Period

In June 2017, the TSX-V approved the Company's option to acquire a 100% interest in the Jackfish gold property in Ontario from three parties, Alto Ventures Ltd. ("Alto"), Rudy Wahl ("Wahl") and a group of prospectors referred to for convenience as "Richards et al". The option provides that the company pay \$375,000 over a two-year period (\$125,000 paid on closing), issue 10,500,000 common shares over a two year period (3,000,000 issued on closing) and reimburse exploration expenditures of \$20,000 on closing (paid). In addition, the Company must spend \$600,000 on exploration over 24 months (\$225,000 in the first 12 months) and pay cash of \$1,000,000 to Richards et al following receipt of a positive feasibility study

The Jackfish gold property is subject to royalties as follows:

- (a) Net smelter return ("NSR") royalties on metals of 2% to Wahl and Richards et al, and a gross overriding royalty on diamonds of 2% to Wahl, all of which have an option to reduce these royalties to 1% for cash payments of \$1,000,000 to each party.
- (b) NSR royalty on metals of 1% to Alto, for which a 2% NSR royalty already exists in a previous assignment agreement and which royalty has an option to be reduced to 1% for cash payment of \$1,000,000.
- (c) Additional NSR royalty to Alto of 0.33%, to Wahl of 0.33% and to Richards et al of 0.34% on any new property acquired within the area of interest contemplated in the option agreements.