

SANATANA RESOURCES INC.

Condensed Interim Consolidated Financial Statements

Second Quarter Ended September 30, 2020

Expressed in Canadian Dollars

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

The accompanying unaudited condensed interim consolidated financial statements of Sanatana Resources Inc. for the six months ended September 30, 2020 have been prepared by the management of the Company and approved by the Company's audit committee.

The accompanying unaudited condensed interim consolidated 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 consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of the condensed interim consolidated financial statements by an entity's auditor

Sanatana Resources Inc.

Condensed Interim Consolidated Statements of Financial Position

	Notes	September 30, 2020	March 31, 2020
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3	1,175,921	10,470
Receivables	4	13,410	1,831
Prepaid expenses		50,087	15,977
Total current assets		1,239,418	28,278
Non-current assets			
Exploration and evaluation assets	5	1,189,619	524,879
Equipment	6	4,653	15,063
Total non-current assets		1,194,272	539,942
Total assets		2,433,690	568,220
LIABILITIES			
Current liabilities			
Payables and accruals	7	252,016	440,891
Advances from related party	8	-	4,000
Liability to renounce exploration expenditures		142,552	8,053
Total liabilities		394,568	452,944
EQUITY			
Share capital	9	48,254,735	46,183,631
Reserves	9	5,714,108	5,257,808
Deficit		(51,929,721)	(51,326,163)
Total equity		2,039,122	115,276
Total equity and liabilities		2,433,690	568,220

Nature of operations and going concern (Note 1)

Commitments (Note 14)

Events after the reporting period (Note 16)

Signed on the Company's behalf by:

"Peter Miles", Director

Peter Miles

"Ian Smith", Director

Ian Smith

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

Sanatana Resources Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

	Notes	Three months ended September 30,		Six months ended September 30	
		2020	2019	2020	2019
		\$	\$	\$	\$
Expenses					
Consulting services		-	-	20,000	-
Depreciation	6	318	2,943	1,452	5,674
Exploration and property investigation	5	(1,054)	250,819	28,946	400,626
Filing fees		4,394	9,050	4,941	15,329
Foreign exchange		9,883	(4,106)	9,883	(2,438)
Investor relations		56,795	3,372	57,005	3,593
Management fees and salaries	11	93,978	38,141	140,453	111,321
Office and administration		11,756	7,143	20,390	15,883
Professional fees		21,976	11,867	43,476	16,902
Rent		5,218	4,832	10,408	8,872
Share-based compensation	10	271,200	-	271,200	-
Transfer agent fees		2,781	1,441	12,755	2,925
Travel and accomodation		31	(201)	866	3,426
Loss before other income/expenses		(477,276)	(325,301)	(621,775)	(582,113)
Other expense		-	-	(2,515)	-
Exploration and evaluation assets impairment	5	-	(262,626)	-	(262,626)
Loss on sale of equipment	6	(458)	-	(458)	-
Interest and other income		22,653	16,122	21,190	26,562
Loss and total comprehensive loss for the period		(455,081)	(571,805)	(603,558)	(818,177)
Loss per share - basic and diluted	12	(0.02)	(0.03)	(0.02)	(0.04)
Weighted average common shares outstanding - basic and diluted	12	29,933,341	18,792,333	27,437,754	18,735,940

Sanatana Resources Inc.

Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)

	Number of Shares	Common Shares \$	Reserves \$	Deficit \$	Equity (Deficiency) \$
Balance - March 31, 2019	18,672,335	45,646,051	5,232,808	(50,223,536)	655,323
Shares issued for Empress Property	120,000	54,000	-	-	54,000
Share issue costs	-	-	-	-	-
Share-based compensation	-	(421)	-	-	(421)
Warrants issued for Empress Property	-	-	25,000	-	25,000
Loss for the period	-	-	-	(818,177)	(818,177)
Balance - September 30, 2019	18,792,335	45,699,630	5,257,808	(51,041,713)	(84,275)

	Number of Shares	Common Shares \$	Reserves \$	Deficit \$	Equity \$
Balance - March 31, 2020	21,212,335	46,183,631	5,257,808	(51,326,163)	115,276
Private placements	18,583,332	2,000,000	-	-	2,000,000
Share issue costs	-	(444,096)	-	-	(444,096)
Shares issued for Gold Rush Project	2,341,822	515,200	185,100	-	700,300
Share-based compensation	-	-	271,200	-	271,200
Loss for the period	-	-	-	(603,558)	(603,558)
Balance - September 30, 2020	42,137,489	48,254,735	5,714,108	(51,929,721)	2,039,122

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

Sanatana Resources Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended September 30,	Notes	2020	2019
		\$	\$
Cash provided by (used in):			
Operating activities:			
Loss for the period		(603,558)	(818,177)
Adjustments for:			
Depreciation of property and equipment	6	1,452	5,674
Interest income		-	-
Other income		(21,190)	(25,984)
Loss on sale of equipment		458	-
Share-based compensation	10	271,200	-
Exploration and evaluation assets impairment	5	-	262,626
Exploration and evaluation expenditures	5	28,946	400,626
Changes in non-cash working capital items:			
Receivables		(11,579)	(6,731)
Prepaid expenses		(34,110)	(5,236)
Payables and accruals		(168,815)	(169,207)
		(537,196)	(356,409)
Investing activities:			
Prepaid exploration and evaluation advance		-	1,355
Exploration and evaluation	5	(164,446)	(569,801)
Equipment purchases	6	-	(6,349)
Recovery of exploration expenses		14,022	-
		(150,424)	(574,795)
Financing activities			
Issuance of common shares	9	2,000,000	-
Share issue costs	9	(142,929)	(420)
Repayment to related party		(4,000)	-
		1,853,071	(420)
Change in cash and cash equivalents		1,165,451	(931,624)
Cash and cash equivalents, beginning of period		10,470	1,100,867
Cash, end of period		1,175,921	169,243

Supplementary cash flow information (note 13)

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

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

1. Nature of Operations and Going Concern

Sanatana Resources Inc. (“Sanatana” or the “Company”) was incorporated on June 25, 2004 under the British Columbia Business Corporations Act. Sanatana is an exploration stage company, and its principal business activity is the acquisition, exploration and development of mineral properties. The Company’s shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol STA.

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 \$603,558 during the six months ended September 30, 2020 and, as of that date, the Company’s deficit was \$51,929,721. The covid-19 pandemic has led to adverse impacts on the Canadian and global economies, disrupted financial markets and created uncertainty that could affect the Company’s operations. The pandemic has mainly affected the Company by making travel to its Solomon Islands properties impossible and hampered the Company’s ability to meet its spending obligations to maintain exploration rights. The pandemic could also adversely impact the Company’s ability to raise funds to finance operations. 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 and cash equivalents of \$1,175,921 at September 30, 2020 (March 31, 2020 - \$10,470).

The head office and principal address of the Company are located at Suite 1910 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. These consolidated financial statements were authorized for issue by the audit committee on November 26, 2020.

2. Basis of Presentation

Statement of Compliance

These condensed interim consolidated financial statements of the Company for the six months ended September 30, 2020 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, 2020 as filed on SEDAR at www.sedar.com. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

Basis of Measurement

The condensed interim consolidated 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.

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

2. Basis of Presentation (continued)

Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, ExSol (SI) Limited. All significant intercompany transactions and balances have been eliminated upon consolidation.

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 Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

2. Basis of Presentation (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 10.

New accounting standards issued and 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, 2020. None of these are expected to be relevant to the Company's financial statements.

3. Cash and Cash Equivalents

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates. Cash and cash equivalents do not bear interest.

4. Receivables

	September 30, 2020	March 31, 2020
	\$	\$
GST - value added tax	13,410	1,831
	13,410	1,831

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

5. Exploration and Evaluation Assets

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

	March 31, 2019	Additions	Impairment	March 31, 2020	September 30, 2020	
	\$	\$	\$	\$	\$	\$
Canada						
Empress/Jackfish Property	-	194,569	(194,569)	-	-	-
Gold Rush Project	-	-	-	-	658,587	658,587
Santoy Property	13,404	81,653	(95,057)	-	-	-
	13,404	276,222	(289,626)	-	658,587	658,587
Solomon Islands						
Tirua Property	-	524,879	-	524,879	6,153	531,032
	13,404	801,101	(289,626)	524,879	664,740	1,189,619

Gold Rush Project

Option to Acquire Gold Rush Project

In July 2020, the Company entered into an option agreement with South Shore Partnership Inc. ("South Shore") to acquire: (1) a 100% interest in the Gold Rush North Project; and (2) a 100% interest in the Gold Rush South Project (formerly the Turnbull-Carscallen Project) in the Timmins, Ontario region. Together, the Gold Rush North Project and the Gold Rush South Project are referred to as the "Gold Rush Project". The Gold Rush Project covers 2,200 hectares and is located near Timmins Ontario. The option agreement and finder's warrants received TSX-V approval in July 2020.

Sanatana holds separate options on the Gold Rush North and Gold Rush South Projects. Sanatana may acquire a 100% interest by issuing 1,050,000 common shares (issued) and \$30,000 in cash (paid) to South Shore for each of Gold Rush North and Gold Rush South.

In addition, the Company must pay and aggregate of \$240,000 in cash and issue shares with a value of \$250,000 (based on the greater of (a) Sanatana's 30-day volume-weighted average price on the TSX-V prior to the issue date and (b) \$0.09 per share) over a three-year period to the underlying holders of the property interests.

Timing	Gold Rush North		Gold Rush South	
	Cash Payments	Share Issuances	Cash Payments	Share Issuances
	\$	\$	\$	\$
On TSX approval	-	-	-	10,000 (*)
July 2021	30,000	30,000	30,000	30,000
July 2022	40,000	40,000	40,000	40,000
July 2023	50,000	50,000	50,000	50,000

* Settled on August 18, 2020 through the issuance of 41,822 common shares

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

5. Exploration and Evaluation Assets (continued)

In addition, Sanatana has agreed to spend a minimum of \$250,000 on the Gold Rush Project prior to July 2021. Upon the commencement of commercial production (as that term is defined in the option agreement) from the Gold Rush Project, South Shore will also be granted a 0.5% net smelter return royalty on the Gold Rush Project. In addition, the Gold Rush North Project and the Gold Rush South Project are each subject to a 2% net smelter return royalty upon the commencement of commercial production, which may be reduced by 1% by paying the respective royalty holder \$1,000,000.

Sanatana paid a finder's fee of 200,000 common shares and 200,000 warrants with each warrant exercisable to acquire one common shares at a price of \$0.20 per common share until August 6, 2022.

Expenditures incurred and capitalized were as follows:

	March 31, 2020	Change	September 30, 2020
	\$	\$	\$
Acquisition costs, shares and warrants	-	600,800	600,800
Contractor and consultant	-	36,067	36,067
Project management fees	-	20,000	20,000
Sampling and assays	-	881	881
Transport and accommodation	-	839	839
Gold Rush Project	-	658,587	658,587

Tirua Property

The Company entered into a prospecting agreement effective March 12, 2018. In October 2019 the parties to the agreement amended its terms to reflect the passage of time and to conform to regulatory requirements. As amended, the prospecting agreement called for cash payments of up to \$360,000, of which \$329,362 was spent, to compensate the vendors for their work in assessing the areas of interest, obtaining a letter of intent from the Solomon Islands government and negotiating land access rights with indigenous landowners. During the term of the prospecting agreement, the Solomon Islands Ministry of Mines has awarded the Company a prospecting licence that expires January 31, 2022 and requires the expenditure of at least SBD 16.2 million (approximately \$2.7 million) on the property by that date.

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

5. Exploration and Evaluation Assets (continued)

In addition to funding expenses incurred to secure the property, as set out above, the prospecting agreement provides for the issuance of common shares to the vendors as follows:

Within 10 business days of TSX-V approval of the prospecting agreement (issued)	2,420,000
Within 10 business days of the receipt by the Company of a resource report prepared in accordance with National Instrument 43-101 indicating a minimum resource of gold or gold equivalent if other metals are considered to be economic:	
if at least 1,000,000 ounces	370,000
if at least 2,000,000 ounces	370,000
if at least 3,000,000 ounces	370,000
if at least 4,000,000 ounces	370,000
Maximum number of shares that may be issued	<u>3,900,000</u>

* TSX-V approval was granted on November 26, 2019

In accordance with its accounting policies, the Company did not capitalize any expenses associated with Tirua through to November 26, 2019 when it received TSXV approval. Prior to that date, the Company expensed items as incurred. In the comparative period, the Company charged \$399,624 to exploration and property investigation expense regarding exploration and travel to the Tirua property.

Expenditures incurred and capitalized after November 26, 2019 were as follows:

	March 31, 2019	Change	March 31, 2020	Change	September 30, 2020
	\$	\$	\$	\$	\$
Acquisition - shares issued	-	484,000	484,000	-	484,000
Contractor and consultant	-	3,566	3,566	-	3,566
Project management fees	-	10,000	10,000	-	10,000
Field and camp	-	7,833	7,833	388	8,221
Transport and accomodation	-	15,809	15,809	320	16,129
Permitting and other	-	3,671	3,671	5,445	9,116
Tirua Property	-	524,879	524,879	6,153	531,032

Sutakiki Property

In February 2020, Sanatana entered into a letter agreement with Cobre Nuevo Exploration ("CNE"), a private Australian Company regarding the Sutakiki property. The letter agreement outlined terms for Sanatana to acquire the Sutakiki property and enter into a joint venture with CNE pursuant to which CNE may elect to pay up to A\$14,500,000 to earn up to a 92.5% interest in the property. In the six-month period ended September 30, 2020, the Company spent \$4,946 (2019 - \$7,299) on exploration which it charged to operations.

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

5. Exploration and Evaluation Assets (continued)

Empress Property

	March 31, 2019	Change	Impairment	March 31, and September 30, 2020
	\$	\$	\$	\$
Acquisition costs	195,250	104,000	-	299,250
Sampling and assays	-	8,482	-	8,482
Contractor and consultant	44,463	49,073	-	93,536
Project management fees	-	20,000	-	20,000
Field and camp	-	2,957	-	2,957
Transport and accommodation	-	10,057	-	10,057
Permitting and other	25	-	-	25
Impairment	(239,738)	-	(194,569)	(434,307)
Empress Property	-	194,569	(194,569)	-

In June 2017, the TSX-V approved the Company's option to acquire a 100% interest in the Empress gold property in Ontario from Alto Ventures Ltd. ("Alto"). The Company was in default under its option with Alto but, in June 2019, reached an agreement that reinstated the Company's exploration rights for the Empress Property. To acquire 100% of the Empress property under the amended option agreement, the Company:

- Paid \$75,000 in cash.
- Issued 420,000 common shares.
- Issued warrants to purchase up to 100,000 common shares.
- Reimbursed expenditures of \$20,000.
- Incurred exploration expenditures of \$150,000 by December 31, 2019.

In addition, the Company will have to:

- pay a net smelter return ("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; and
- pay an additional NSR royalty to Alto of 0.33% on any new property acquired within the area of interest contemplated in the option agreement.

In the period ended September 30, 2020, the Company expensed \$nil (2019 - \$1,003) directly to operations regarding exploration on the Empress property.

In February 2020, the owner of the Empress Property issued a notice of default primarily relating to reporting obligations. Sanatana cured the deficiencies and the Empress property was subsequently transferred to Sanatana's name in April 2020.

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

5. Exploration and Evaluation Assets (continued)

Impairment

At September 30, 2019, the Company completed a review of the Empress property and, based on exploration results to date and the climate for financing exploration work, concluded that it was unlikely that it would be feasible to progress the Empress property. Accordingly, the Company fully impaired the carrying value as of September 30, 2019 and charged subsequent expenditures directly to operations.

Although the Company successfully completed its obligations under the option agreement with Alto, the Company does not believe that the conditions required to reverse the impairment provisions had been met at September 30, 2020 or subsequently.

Santoy Property

In December 2017, Sanatana entered into an asset purchase agreement with Brian Fowler and Christian Carl ("Fowler and Carl") to acquire the Santoy Property adjacent to the Company's Jackfish Property. In April 2018, the Company paid Fowler and Carl \$12,500 cash and issued 25,000 common shares to Fowler and Carl. The Company must pay a net smelter return royalty on metals of 2% upon the commencement of commercial production to Fowler and Carl, with an option to reduce the royalty to 1% for cash payments of \$1,000,000.

The Company has capitalized exploration expenditures for the Santoy property as follows:

	March 31,			March 31,		September 30,	
	2019	Change	Impairment	2020	Change	2020	
	\$	\$	\$	\$	\$	\$	\$
Acquisition costs	12,500	-	-	12,500	-	12,500	
Sampling and assays	-	1,777	-	1,777	-	1,777	
Contractor and consultant	-	1,602	-	1,602	-	1,602	
Project management fees	-	68,000	-	68,000	-	68,000	
Field and camp	479	2,486	-	2,965	-	2,965	
Transport and accommodation	225	6,148	-	6,373	-	6,373	
Permitting and other	200	1,640	-	1,840	-	1,840	
Impairment	-	-	(95,057)	(95,057)	-	(95,057)	
Santoy Property	13,404	81,653	(95,057)	-	-	-	

In the period ended September 30, 2020 the Company charged \$40,000 (2109 - \$nil) directly to operations regarding exploration on the Santoy property.

Impairment

At September 30, 2019, the Company completed a review of the Santoy property and, based on exploration results to date and the climate for financing exploration work, concluded that it was unlikely that it would be feasible to progress the Santoy property. Accordingly, the Company fully impaired the carrying value as of September 30, 2019 and charged subsequent expenditures directly to operations.

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

5. Exploration and Evaluation Assets (continued)

Although the successful optioning of the Empress property improves the outlook for the Santoy property, the Company does not believe that the conditions required to reverse the impairment provision had been met at September 30, 2020 or subsequently.

6. Equipment

	Computer Equipment	Office Furniture	Vehicles	Equipment	Total
	\$	\$	\$	\$	\$
Cost					
At March 31, 2019	10,271	34,703	50,506	63,497	158,977
Additions	-	-	-	6,349	6,349
Disposal	-	(34,703)	(17,102)	-	(51,805)
At March 31, 2020	10,271	-	33,404	69,846	113,521
Disposal	-	-	(16,302)	-	(16,302)
At September 30, 2020	10,271	-	17,102	69,846	97,219
Accumulated Depreciation					
At March 31, 2019	10,131	34,703	32,904	63,497	141,235
Charge for the period	140	-	7,256	1,060	8,456
Disposal	-	(34,703)	(16,530)	-	(51,233)
At March 31, 2020	10,271	-	23,630	64,557	98,458
Charge for the period	-	-	816	636	1,452
Disposal	-	-	(7,344)	-	(7,344)
At September 30, 2020	10,271	-	17,102	65,193	92,566
Net book value					
At March 31, 2020	-	-	9,774	5,289	15,063
At September 30, 2020	-	-	-	4,653	4,653

In November 2019, the Company settled a liability of \$12,000 by transferring a pickup truck with a market value of \$12,000 and a net book value of \$572 resulting in a gain on disposition of \$11,428.

During the year ended March 31, 2020, the Company disposed of office furniture for nil proceeds.

In July 2020, the Company disposed of a quad and trailer (note 11) with a market value of \$8,500 and a net book value of \$8,958 resulting in a loss on disposition of \$458.

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

7. Payables and Accruals

	September 30, 2020	March 31, 2020
	\$	\$
Trade payables	217,261	237,060
Accrued liabilities	16,165	69,436
Exploration expenditures	8,072	22,082
Due to related parties	10,518	112,313
	252,016	440,891

8. Advance from related party

	\$
At March 31, 2019	-
Advances	4,000
At March 31, 2020	4,000
Advances	20,000
Repayment	(24,000)
At September 30, 2020	-

Advances from related party do not bear interest and have no fixed terms for repayment.

9. Share Capital and Reserves

Authorized share capital

In May 2020, the Company consolidated the share capital by rolling back the shares on a 10 common shares for one common share basis. All share and per-share amounts have been restated to reflect the share consolidation.

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

Common Shares

Fiscal 2021

In August 2020, Sanatana completed a non-brokered private placement of 11,500,000 units of the Company at \$0.10 per unit; and 7,083,332 flow-through units at \$0.12 per flow-through unit for aggregate gross proceeds of \$2,000,000.

Each unit consists of one common share and one-half of a share purchase warrant. Each unit warrant entitles the holder to purchase one common share at a price of \$0.18 until February 6, 2022. Sanatana is entitled to accelerate the expiry date of the unit warrants to the date that is 30 days following the date a news release is issued by the Company announcing that the weighted average daily trading price of its common shares on the TSX-V is or exceeds \$0.30 for 20 consecutive trading days.

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

9. Share Capital and Reserves (continued)

Each flow-through unit consists of one common share, which will be designated as a flow-through share pursuant to the Income Tax Act (Canada), and one-half of a share purchase warrant. Each flow-through unit warrant entitles the holder to purchase one non-flow-through common share at a price of \$0.20 until February 6, 2022. Sanatana is entitled to accelerate the expiry date of the flow-through unit warrants to the date that is 30 days following the date a news release is issued by the Company announcing that the weighted average daily trading price of its common shares on the TSX-V is or exceeds \$0.35 for 20 consecutive trading days.

In connection with the private placement, the Company paid finder's fees of \$107,566 and issued 564,000 compensation warrants and 429,216 finder's warrants to arm's length parties.

Each compensation warrant entitles the holder to purchase a finder's unit at a price of \$0.10 per unit until August 6, 2022. Each finder's unit consists of one common share of the Company and one common share purchase warrant. Each finder's warrant entitles the holder to acquire one common share at a price of \$0.18 per common share until February 6, 2022. The compensation warrants were valued at \$104,700 using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	0%
Risk-free interest rate	0.29%
Estimated volatility	109%
Expected life in years	2

Each of the 429,216 finder's warrants entitles the holder to acquire one common share at a price of \$0.25 per share until August 6, 2021. The finders' warrants were valued at valued at \$54,800 using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	0%
Risk-free interest rate	0.26%
Estimated volatility	138%
Expected life in years	1

In August 2020, The Company issued 2,141,822 shares valued at \$471,200 as part of the Gold Rush Project option agreement (see note 5). The Company also issued as a finder's fee 200,000 common shares and 200,000 warrants with each warrant exercisable to acquire one common share at a price of \$0.20 per common share until August 6, 2022. The warrants were valued at \$25,600 using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	0%
Risk-free interest rate	0.29%
Estimated volatility	109%
Expected life in years	2

Fiscal 2020

In December 2019, as part of the Tirua property option agreement, the Company issued 2,420,000 common shares at \$0.20 per share, being the closing price on the date of issuance, for an aggregate value of \$484,000 (see note 5).

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

9. Share Capital and Reserves (continued)

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, 2019 to September 30, 2020:

	\$
Balance March 31, 2019	5,232,808
Fair value of warrants issued re Empress	25,000
Balance March 31, 2020	5,257,808
Fair value of finders' warrants issued re private placement	159,500
Fair value of warrants issued re Gold Rush Project finder's fee	25,600
Share-based compensation	271,200
Balance September 30, 2020	5,714,108

Warrants

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

	September 30, 2020		March 31, 2020	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of period	3,752,305	\$1.00	3,652,305	\$1.00
Granted	10,484,881	0.19	100,000	1.00
Balance, end of period	14,237,186	0.40	3,752,305	\$1.00

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Financing Warrants	Compensatory Warrants
March 20, 2022	\$ 1.00	3,449,350	-
June 25, 2022	\$ 1.00	-	100,000
March 20, 2022	\$ 1.00	-	202,955
February 6, 2022	\$ 0.18	5,750,000	-
February 6, 2022	\$ 0.20	3,541,665	-
August 6, 2022	\$ 0.10	-	564,000
August 6, 2021	\$ 0.25	-	429,216
August 18, 2020	\$ 0.20	-	200,000
		12,741,015	1,496,171

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

9. Share Capital and Reserves (continued)

There are 564,000 warrants that, if exercised, would result in there being a further 282,000 warrants to purchase common shares at \$0.18 per share until February 6, 2022.

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 TSX-V. 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 February 2020. Numbers of options and exercise prices have been restated to reflect the one-for-ten share consolidation (note 9).

In September, 2020 the Company granted incentive stock options to directors, officers, employees and contractors of the Company to purchase up to 3,400,000 common shares of the Company at a price of \$0.35 per share. The stock options are exercisable on or before September 30, 2025 and vest in stages with 25% vesting immediately and the remainder to vest 25% every six months from the date of the grant. Of the options granted, 2,550,000 were awarded to directors and officers of the Company.

	September 30, 2020		March 31, 2020	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of period	570,000	\$0.60	670,000	\$0.60
Granted	3,400,000	0.35	-	-
Forfeited or expired	(100,000)	0.60	(100,000)	0.60
Balance, end of period	3,870,000	\$0.38	570,000	\$0.60

Summary of outstanding options at September 30, 2020:

Outstanding Options			Exercisable Options	
Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
3,400,000	\$0.35	5 years	850,000	\$0.35
470,000	\$0.60	1.98 years	470,000	\$0.60
3,870,000	\$0.06	4.63 years	1,320,000	\$0.44

The Company incurred an expense of \$271,200 (2019 \$nil) for share-based payments for the period ended September 30, 2020.

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

11. Related Party Transactions and Balances

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

	Three months ended		Six months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Key management personnel compensation				
Salary	36,500	30,000	66,500	60,000
Short-term benefits	144	994	288	1,989
Management fees - expensed	9,310	3,850	14,470	12,170
Technical fees - capitalized	30,000	30,000	60,000	60,000
Share-based payments	203,400	-	203,400	-
Total	279,354	64,844	344,658	134,159

Included in the above is compensation paid through companies:

S2 Management Inc.	9,310	3,150	14,470	10,250
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S2 Management Inc. is controlled by the Company's CFO.

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

	September 30, 2020	March 31, 2020
	\$	\$
Directors and officers	7,263	107,577
S2 Management Inc.	3,255	4,736
	10,518	112,313

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

In the period ended September 30, 2020, the Company transferred a quad and trailer with a market value of \$8,500 to the Company's CEO in settlement of amounts due to him, see note 6. The Company also repaid advances of \$24,000 to its CEO, see note 8.

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

12. Loss per Share

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

	Three months ended September 30		Six months ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Loss for the period	(455,081)	(571,805)	(603,558)	(818,177)
Weighted average number of common shares outstanding	29,933,341	18,792,333	27,437,754	18,735,940
	(0.02)	(0.03)	(0.02)	(0.04)

Diluted loss per share for the six months ended September 30, 2020 and 2019 is the same as basic loss per share as the exercise of the 1,320,000 options (2019 – 670,000) and 14,237,186 warrants (2019 – 3,752,305) would be anti-dilutive.

13. Supplemental Cash Flow Information

Non-cash investing activities included the following:

For the six months ended September 30,	2020	2019
	\$	\$
Non-cash investing activities:		
Shares issued for exploration and evaluation assets	515,200	54,000
Fair value of finders' warrants granted	159,500	-
Liability to renounce flow-through expenditures	141,667	-
Fair value of warrants granted re option agreement	25,600	25,000
Change in payables for exploration and evaluation assets	16,560	(1,048)

14. Commitments

In June 2018, the Company undertook a new flow-through financing and at September 30, 2020 was obliged, under the terms of the financing and related tax law, to expend \$5,091 on mineral exploration before December 31, 2019. The Company expects to fulfill its expenditure obligation by December 31, 2020.

In August 2020, the Company undertook a new flow-through financing and at September 30, 2020 was obliged, under the terms to the financing and related tax law to expend \$141,667 on mineral exploration before December 31, 2021.

Sanatana Resources Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2020

15. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At September 30, 2020, all exploration and evaluation assets and equipment were located in Canada and Solomon Islands.

	September 30, 2020	March 31, 2020
	\$	\$
Canada	658,587	9,774
Solomon Islands	535,685	530,168
	1,194,272	539,942

16. Events after the Reporting Period

Ely Gold Transaction

In 2016, Sanatana sold its Watershed Property to a company ultimately owned by IAMGOLD Corporation (“Iamgold”) but, under the terms of the sale, retained the rights to certain post-closing royalty and deferred payments. In September 2020, Sanatana agreed a part-and-parcel agreement to sell its rights to the Watershed Property post-closing payment and undertake a private placement. The transaction has three principal components as described below, all of which are subject to TSX-V approval.

Sale of Royalty

Santana agreed to sell its right to a net smelter royalty for consideration of \$2,500,000 in cash and 1,000,000 Ely Gold warrants (the “Ely Warrants”) with an approximate value of \$500,000. In October 2020, Sanatana signed a definitive agreement to sell the Watershed Royalty to Ely Gold for consideration comprising \$2,500,000 in cash and 1,000,000 Ely Gold warrants which will have a five-year term and an exercise price of \$1.31 per share. Ely Gold will have the right to accelerate expiry of the warrants if the 10-day volume-weighted average price of Ely Gold common shares exceeds \$1.97 per share. The parties also agreed to a 90-day period of exclusivity with respect to this transaction. In November 2020, Iamgold waived its right of first refusal as provided in the Watershed Royalty.

Deferred Payment Assignment

Sanatana also agreed to assign its interest in certain deferred payment to Ely Gold for \$10,000; The deferred payments are potentially:

- (a) \$1,500,000 upon a production decision by Iamgold on the Watershed Property; and
- (b) \$1,500,000 upon the commencement of commercial production by Iamgold on the Watershed Property

Private Placement

Ely Gold agreed to subscribe for \$500,000 in Sanatana common shares as part of a non-brokered private placement at a price of \$0.33 per common share. The proceeds from the private placement are expected to be used by the Company for a drone-based magnetic survey and an initial drilling program at the Gold Rush property. Securities issued under the private placement will be subject to a period which will expire four months and one day from closing of the private placement.