

# **SANATANA RESOURCES INC.**

## **Condensed Interim Consolidated Financial Statements**

**Second Quarter Ended September 30, 2021**

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, 2021 have been prepared by the management of the Company and approved by the Company's board of directors.

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 Chartered Professional Accountants of Canada 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, 2021	March 31, 2021
		\$	\$
<b>ASSETS</b>			
Current assets			
Cash	3	1,539,835	3,038,829
Receivables	4	25,135	29,692
Prepaid expenses		20,641	57,530
Short-term investments	5	1,733,390	1,408,630
<b>Total current assets</b>		<b>3,319,001</b>	<b>4,534,681</b>
Non-current assets			
Prepaid exploration and evaluation advance		35,965	10,923
Exploration and evaluation assets	6	2,081,998	1,799,485
Equipment	7	60,787	71,748
<b>Total non-current assets</b>		<b>2,178,750</b>	<b>1,882,156</b>
<b>Total assets</b>		<b>5,497,751</b>	<b>6,416,837</b>
<b>LIABILITIES</b>			
Current liabilities			
Payables and accruals	8	401,749	262,655
Liability to renounce exploration expenditures		14,319	185,136
<b>Total liabilities</b>		<b>416,068</b>	<b>447,791</b>
<b>EQUITY</b>			
Share capital	9	49,777,374	49,716,124
Reserves	9	6,461,628	6,213,728
Deficit		(51,157,319)	(49,960,806)
<b>Total equity</b>		<b>5,081,683</b>	<b>5,969,046</b>
<b>Total equity and liabilities</b>		<b>5,497,751</b>	<b>6,416,837</b>

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

# Sanatana Resources Inc.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Income

	Notes	Three months ended		Six months ended	
		September 30		September 30	
		2021	2020	2021	2020
		\$	\$	\$	\$
<b>Expenses</b>					
Consulting services		1,750	-	3,500	20,000
Depreciation	8	6,902	318	10,961	1,452
Director fees		14,000	-	22,950	-
Exploration expense	6	562,726	(1,054)	577,958	28,946
Foreign exchange		1,196	9,883	1,513	9,883
Investor relations		34,222	56,795	70,350	57,005
Management fees and salaries	13	69,607	93,978	138,607	140,453
Office and administration		12,198	11,756	23,721	20,390
Professional fees		34,406	21,976	75,289	43,476
Rent		5,208	5,218	10,410	10,408
Share-based compensation	12	122,000	271,200	247,900	271,200
Transfer agent fees and filing fees		5,849	7,175	7,762	17,696
Travel and accomodation		-	31	-	866
<b>Loss before other income/expenses</b>		(870,064)	(477,276)	(1,190,921)	(621,775)
Exploration and evaluation assets impairment	6	(556,546)	-	(556,546)	-
Unrealized gain on short-term investments	5	339,000	-	321,000	-
Loss on sale of equipment	8	-	(458)	-	(458)
Gain on settlement of debt	9	-	-	39,250	-
Other expense					(2,515)
Interest and other income		74,441	22,653	190,704	21,190
<b>Loss and total comprehensive loss for the period</b>	5	(1,013,169)	(455,081)	(1,196,513)	(603,558)
<b>loss per share - basic</b>	14	(0.02)	(0.02)	(0.02)	(0.02)
<b>Weighted average common shares outstanding - basic</b>	14	48,954,155	29,933,341	48,931,204	27,437,754

# Sanatana Resources Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

	Number of Shares	Common Shares \$	Reserves \$	Deficit \$	Equity (Deficiency) \$
<b>Balance - March 31, 2020</b>	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)
<b>Balance - September 30, 2020</b>	<b>42,137,489</b>	<b>48,254,735</b>	<b>5,714,108</b>	<b>(51,929,721)</b>	<b>2,039,122</b>

	Number of Shares	Common Shares \$	Reserves \$	Deficit \$	Equity \$
<b>Balance - March 31, 2021</b>	48,604,155	49,716,124	6,213,728	(49,960,806)	5,969,046
Shares issued for debt settlement	350,000	61,250	-	-	61,250
Share-based compensation	-	-	247,900	-	247,900
Loss for the period	-	-	-	(1,196,513)	(1,196,513)
<b>Balance - September 30, 2021</b>	<b>48,954,155</b>	<b>49,777,374</b>	<b>6,461,628</b>	<b>(51,157,319)</b>	<b>5,081,683</b>

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	2021	2020
		\$	\$
<b>Cash provided by (used in):</b>			
<b>Operating activities:</b>			
Loss for the period		(1,196,513)	(603,558)
Adjustments for:			
Depreciation of property and equipment	7	10,961	1,452
Other income		(176,577)	(21,190)
Unrealized gain on short-term investments		(321,000)	-
Loss on sale of equipment		-	458
Share-based compensation	10	247,900	271,200
Gain on settlement of debt		(39,250)	-
Exploration and evaluation assets impairment		577,958	-
Exploration and evaluation expenditures	6	556,546	28,946
Capital asset impairment		-	-
Changes in non-cash working capital items:			
Receivables		4,557	(11,579)
Prepaid expenses		36,889	(34,110)
Payables and accruals		(13,817)	(168,815)
		(312,346)	(537,196)
<b>Investing activities:</b>			
Prepaid exploration and evaluation advance		(25,042)	-
Exploration and evaluation	6	(1,163,606)	(164,446)
Recovery of exploration expenses		-	14,022
		(1,188,648)	(150,424)
<b>Financing activities</b>			
Issuance of common shares		-	2,000,000
Share issue costs		-	(142,929)
Short-term investments		2,000	-
Repayment to related party		-	(4,000)
		2,000	1,853,071
<b>Change in cash</b>		(1,498,994)	1,165,451
<b>Cash, beginning of period</b>		3,038,829	10,470
<b>Cash, end of period</b>		1,539,835	1,175,921

Supplementary cash flow information (note 13)

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

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

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### 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 \$1,196,513 during the six months ended September 30, 2021 and, as of that date, the Company’s deficit was \$51,157,319. 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 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 board of directors on November 22, 2021.

### 2. Basis of Presentation

#### Statement of Compliance

These condensed interim consolidated financial statements of the Company for the six months ended September 30, 2021 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, 2021 as filed on SEDAR at [www.sedar.com](http://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.

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

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### 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.

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

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### 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.

#### Gold Royalty Warrant Valuation

The Company estimates the value of the Gold Royalty warrants at the end of each accounting period. Estimating the fair value of the warrants requires determining the most appropriate valuation model, which is dependent on the terms and of the warrants. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrant, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value of the Gold Royalty warrants are disclosed in note 5.

#### 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.

#### Flow-through Share Offerings

From time to time, the Company undertakes flow-through share offerings under which the Company renounces its right to deduct exploration costs and so incurs a liability to investors in respect of that renunciation. Determination of the value of that liability is subjective and dependent on assumptions regarding the relative value of flow-through and non-flow-through shares, future income tax rates and other factors.

### 3. Cash

Cash at banks and on hand earn interest at floating rates in effect from time to time. At September 30, 2021, the floating rate was zero percent.

### 4. Receivables

	September 30, 2021	March 31, 2021
	\$	\$
Other	-	1,929
GST - value added tax	25,135	27,763
	25,135	29,692

# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

### 5. Short-term Investments

	Number	Cost \$	Carrying Value	
			September 30, 2021 \$	March 31, 2021 \$
Gold Royalty Corp.	245,000	670,000	729,000	408,000
Guaranteed investment certificates			1,004,390	1,000,630
			1,733,390	1,408,630

On December 3, 2020, the Company was granted warrants that allowed the purchase of up to 1,000,000 common shares of Ely Gold Royalties Inc. ("Ely Gold") at an exercise price of \$1.31 per share on or before December 3, 2025. In August 2021, Ely Gold was acquired by Gold Royalty Corp. and the warrants converted to warrants to purchase up to 245,000 common shares of Gold Royalty Corp. at \$5.35 per share. Gold Royalty Corp. has the right to accelerate expiry of the warrants if the 10-day volume-weighted average price of Gold Royalty Corp. common shares exceeds \$8.02 per share. Shares received on the exercise of warrants will subject to trading restrictions for up to one year.

The shares of Gold Royalty Corp. are traded on the NYSE American exchange but the warrants held by the Company are not publicly traded. The Company employed the Black-Scholes option-pricing model using the following assumptions to determine their fair value:

	September 30, 2021	March 31, 2021
Risk-free interest rate	0.98%	0.99%
Estimated volatility	52%	67%
Expected life	4.18 years	4.68 years

The guaranteed investment certificates have a maturity date of more than 90 days. The weighted average yield is 0.75%.

# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

### 6. Exploration and Evaluation Assets

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

	March 31, 2020	Additions	March 31, 2021	Additions	Impairment	September 30, 2021
	\$	\$	\$	\$	\$	\$
<b>Canada</b>						
Gold Rush Project	-	1,267,674	1,267,674	814,324	-	2,081,998
Oweegee Dome	-	-	-	-	-	-
	-	1,267,674	1,267,674	814,324	-	2,081,998
<b>Solomon Islands</b>						
Tirua Property	524,879	6,932	531,811	24,735	(556,546)	-
Sutakiki Property	-	-	-	-	-	-
	524,879	1,274,606	1,799,485	839,059	(556,546)	2,081,998

#### 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 which the Company can exercise independent with one another. 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 cash and issue shares over a three-year period to the underlying holders of the property interests. Effective July 2021, the parties to the Gold Rush North option agreement amended the option terms. As amended, Sanatana must pay cash and issue shares as follows:

Timing	Gold Rush North		Gold Rush South	
	Cash Payments	Share Issuances	Cash Payments	Share Issuances
	\$	\$	\$	\$
August 2020	-	-	-	10,000 (*)
July 2021	17,000	100,000 shares (**)	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 through the issuance of 41,822 common shares

\*\* Cash paid in August 2021 and the shares issued November 2021

\*\*\* \$20,000 paid, no shares issued to date

# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

### 6. 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 and has satisfied this requirement. 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 share at a price of \$0.20 per common share until August 6, 2022.

Expenditures incurred and capitalized were as follows:

	March 31, 2020	Change	March 31, 2021	Change	September 30, 2021
	\$	\$	\$	\$	\$
Acquisition costs, shares and warrants	-	600,800	600,800	37,000	637,800
Contractor and consultant	-	466,825	466,825	542,143	1,008,968
Project management fees	-	80,000	80,000	57,500	137,500
Field and camp	-	50,050	50,050	30,286	80,336
Sampling and assays	-	28,650	28,650	93,959	122,609
Transport and accommodation	-	41,349	41,349	52,582	93,931
Permitting and other	-	-	-	854	854
Gold Rush Project	-	1,267,674	1,267,674	814,324	2,081,998

#### Oweegee Dome

In July 2021, the Company entered into an agreement with ArcWest Exploration Ltd. ("ArcWest") to option up to 80% of ArcWest's Oweegee Dome porphyry copper-gold project in British Columbia's Golden Triangle. The agreement is subject to TSX-V approval.

The Company can earn an initial 60% interest in the Oweegee Dome project by funding, over a four-year period, cumulative exploration expenditures of \$6,600,000 and by making staged cash and share payments totaling \$500,000 and 2,000,000 shares on receipt of TSX-V approval, respectively:

Event or Date	Cash	Shares	Cumulative Exploration Expenditures
	\$		\$
Signing letter of intent	12,500	-	-
On TSX-V approval	12,500	-	-
December 31, 2021	25,000	300,000	600,000
December 31, 2022	50,000	400,000	1,600,000
December 31, 2023	100,000	600,000	3,600,000
December 31, 2024	300,000	700,000	6,600,000
	500,000	2,000,000	

# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

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

Upon completion of the first option and receipt of the initial interest notice from Sanatana, Sanatana will have a 60-day period to elect to earn an additional 20% interest, for an aggregate 80% interest, or form a Joint Venture ("JV").

The second option can be attained by completing and delivering to ArcWest a feasibility study on or before December 31, 2027. In order to keep the second option in good standing, the Company must pay ArcWest \$150,000 on each anniversary of the delivery of the initial interest notice until such time that the feasibility study has been completed and delivered to ArcWest.

Following the exercise or lapse of the second option, the parties will form a JV to hold and operate the properties, and each party will proportionately fund or dilute. In the event a production decision is made by the Joint Venture to place the property into production, Sanatana shall arrange project financing for the JV, the repayment of which shall be made out of cash flows from the property. Should Sanatana or ArcWest's interest be diluted to less than 10%, then that interest will convert to a 2% net smelter return royalty, 1% of which may be purchased by the other party for \$5,000,000 at any time.

Expenditures incurred were as follows:

	Three Months Ended		Six Months Ended	
	September 30		September 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Acquisition costs	12,500	-	12,500	-
Contractor and consultant	421,993	-	421,993	-
Project management fee	21,500	-	21,500	-
Field and cmap	6,143	-	6,143	-
Transport and accomodation	99,157	-	99,157	-
Permitting and other	2,500	-	2,500	-
	563,793	-	563,793	-

### Tirua Property

On November 2, 2018, pursuant to a prospecting agreement, the Company received a letter of intent, from the Ministry of Mines, Energy and Rural Electrification (the "Ministry") in the Solomon Islands to issue a PL subject to the completion of surface access agreements ("SAA"), which allows for exploration of the Tirua property. The prospecting agreement was approved by the TSX-V in November 2019.

Sanatana's exploration and management team visited the Tirua property in November 2018 to acquire the necessary SAAs and to consider plans for an initial exploration program. The Company engaged an independent QP to prepare a technical report in accordance with NI 43-101. In January 2019, the Company entered into a SAA and was subsequently granted prospecting licence PL-03/19 (the "PL") over the Company's 282 square kilometre Tirua property. The PL grants Sanatana the right to prospect for minerals until January 30, 2022 at which time it may be renewed for two more two-year periods, for a total seven-year term.

# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

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

In accordance with its accounting policies, the Company did not capitalize any expenses associated with the Tirua property 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 \$468,589 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, 2020	Change	March 31, 2021	Change	Impairment	September 30, 2021
	\$	\$	\$	\$	\$	\$
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	388	8,221	-	-	8,221
Transport and accomodation	15,809	320	16,129	-	-	16,129
Permitting and other	3,671	6,224	9,895	24,735	-	34,630
Impairment	-	-	-	-	(556,546)	(556,546)
Tirua Property	524,879	6,932	531,811	24,735	(556,546)	-

#### Impairment

In September 2021, the Company concluded that the favourable outlook for development of the Oweege Dome property combined with the uncertain prospects for development of the Tirua property due to the covid-19 pandemic indicated that the Company should direct its efforts towards the Oweege Dome property. The Company therefore fully impaired the carrying value of the Tirua property effective September 30, 2021.

#### Sutakiki Property

In February 2020, Sanatana entered into a letter agreement with Cobre Nuevo Exploration ("CNE"), a private Australian company, regarding the Sutakiki property in the Solomon Islands. The letter agreement outlined terms for Sanatana to acquire the Sutakiki property and enter into a joint venture with CNE. In October 2021, CNE terminated the letter agreement and so Sanatana will not be undertaking further work at Sutakiki. The Company has never capitalized expenditures on the Sutakiki property.

In the period ended September 30, 2021, the Company incurred \$14,165 (2020 - \$5,000) on exploration. Certain exploration expenses, when incurred, are recoverable from CNE plus a management fee. Any recovery is recognized when received. In the period ended September 30, 2021, the Company received \$14,371 (2020 - \$14,022).

# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

### 7. Equipment

	Computer Equipment	Vehicles	Equipment	Total
	\$	\$	\$	\$
<b>Cost</b>				
At March 31, 2020	10,271	33,404	69,846	113,521
Additions	-	58,416	10,951	69,367
Disposal	-	(16,302)	-	(16,302)
At March 31, 2021	10,271	75,518	80,797	166,586
Disposal	-	-	(63,497)	(63,497)
At September 30, 2021	10,271	75,518	17,300	103,089
<b>Accumulated Depreciation</b>				
At March 31, 2020	10,271	23,630	64,557	98,458
Charge for the period	-	2,454	1,270	3,724
Disposal	-	(7,344)	-	(7,344)
At March 31, 2021	10,271	18,740	65,827	94,838
Charge for the period	-	5,844	5,117	10,961
Disposal	-	-	(63,497)	(63,497)
At September 30, 2021	10,271	24,584	7,447	42,302
<b>Net book value</b>				
At March 31, 2021	-	56,778	14,970	71,748
At September 30, 2021	-	50,934	9,853	60,787

In the period ended September 20, 2021, the Company concluded that it was unlikely to continue work on its Solomon Islands properties. Accordingly, the Company fully depreciated its equipment located in the Solomon Islands.

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

### 8. Payables and Accruals

	September 30, 2021	March 31, 2021
	\$	\$
Trade payables	46,973	156,238
Accrued liabilities	4,165	2,165
Exploration expenditures	348,322	94,911
Due to related parties	2,289	9,341
	401,749	262,655

In April 2021, the Company issued 350,000 common shares with a deemed value of \$61,250 to settle a \$100,500 liability due to a supplier. The Company recorded a gain on settlement of \$39,250.

# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

### 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.

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

#### Common Shares

##### Fiscal 2022

In April 2021, the Company issued 350,000 common shares with a deemed value of \$61,250 to settle a \$100,500 liability due to a supplier.

#### 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, 2020 to September 30, 2021:

	\$
<b>Balance March 31, 2020</b>	5,257,808
Fair value of finders' warrants issued re private placement	162,020
Fair value of warrants issued re Gold Rush Project finder's fee	25,600
Share-based compensation	768,300
<b>Balance March 31, 2021</b>	6,213,728
Share-based compensation	247,900
<b>Balance September 30, 2021</b>	6,461,628

#### Warrants

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

	September 30, 2021		March 31, 2021	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of period	16,665,186	\$0.39	3,752,305	\$1.00
Granted	-	-	12,912,881	0.22
Expired	(429,216)	0.25	-	1.00
Balance, end of period	16,235,970	0.40	16,665,186	0.39

# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

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

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Financing Warrants	Compensatory Warrants
February 6, 2022	\$ 0.18	5,750,000 (*)	-
February 6, 2022	\$ 0.20	3,541,665 (*)	-
March 20, 2022	\$ 1.00	3,449,350	-
March 20, 2022	\$ 1.00	-	202,955
June 25, 2022	\$ 1.00	-	100,000
August 6, 2022	\$ 0.10	-	564,000 (**)
August 18, 2022	\$ 0.20	-	200,000
December 9, 2022	\$ 0.35	1,500,000	-
December 17, 2022	\$ 0.35	900,000	28,000
		15,141,015	1,094,955

(\*) These warrants are subject to acceleration provision when weighted average daily trading price of the common shares on the TSX-V is or exceeds \$0.35 for 20 consecutive trading days

(\*\*) Represents 564,000 unit warrants that, if exercised, would result in there being a further 282,000 warrants issued 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 January 2021. Numbers of options and exercise prices have been restated to reflect the one-for-ten share consolidation (note 9).

In April 2021, the Company granted incentive stock options to a director of the Company to purchase up to 400,000 common shares of the Company at a price of \$0.16 per share. The stock options are exercisable on or before April 29, 2025 and vest in stages with 25% vesting immediately and the remainder to vest 25% every six months from the date of the grant.

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.

# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

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

	September 30, 2021		March 31, 2021	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of period	3,870,000	\$0.38	570,000	\$0.60
Granted	400,000	0.16	3,400,000	0.35
Forfeited or expired	-	0.60	(100,000)	0.60
Balance, end of period	4,270,000	\$0.36	3,870,000	\$0.38

Summary of outstanding options at September 30, 2021:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
\$0.16	400,000	\$0.16	4.58 years	100,000	\$0.16
\$0.35	3,400,000	\$0.35	4.00 years	1,700,000	\$0.35
\$0.60	470,000	\$0.60	0.99 years	470,000	\$0.60
	4,270,000	\$0.36	3.97 years	2,270,000	\$0.38

The Company incurred an expense of \$247,900 (2020 - \$271,200) for share-based payments for the six months ended September 30, 2021.

The options were valued using the Black-Scholes option-pricing model with the following assumptions:

For the six months ended September 30,	2021	2020
Dividend yield	0%	0%
Risk-free interest rate	0.41%	0.36%
Estimated volatility	184%	191%
Expected life in years	5	5

The grant-date fair value of options granted in April 2021 was \$0.10.

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

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### 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,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Short-term compensation	93,268	75,954	198,916	141,258
Share-based payments	93,900	203,400	191,500	203,400
Total	187,168	279,354	390,416	344,658

Included in the above is compensation paid through companies:

S2 Management Inc.	11,480	9,310	23,390	14,470
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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, 2021	March 31, 2021
	\$	\$
Directors and officers	-	7,010
S2 Management Inc.	2,289	2,331
	2,289	9,341

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

### 12. Loss per Share

The net loss per share for the six months ended September 30, 2021 excludes the exercise of 2,270,000 options and 16,235,970 warrants that would be anti-dilutive. Diluted loss per share for the six months ended September 30, 2020 is the same as basic loss per share as the exercise of the 1,320,000 options and 14,237,186 warrants would be anti-dilutive.

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# Sanatana Resources Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2021

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### 13. Supplemental Cash Flow Information

Non-cash investing activities included the following:

For the six months ended September 30,	2021	2020
	\$	\$
Shares issued for exploration and evaluation assets	-	515,200
Fair value of finders' warrants granted	-	159,500
Liability to renounce flow-through expenditures	170,817	141,667
Fair value of warrants granted re option agreement	-	25,600
Change in payables for exploration and evaluation assets	253,411	16,560
Settlement of liability through share issuance	61,250	-

### 14. Commitments

In December 2020, the Company undertook a new flow-through financing and at September 30, 2021 was obliged, under the terms to the financing and related tax law to expend \$119,325 on mineral exploration before December 31, 2022.

### 15. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At September 30, 2021, all exploration and evaluation assets and equipment were located in Canada and Solomon Islands.

	September 30, 2021	March 31, 2021
	\$	\$
Canada	2,142,785	1,335,403
Solomon Islands	-	535,830
	2,142,785	1,871,233

### 16. Events after the Reporting Period

In October 2021, the Company granted incentive stock options to a director and a contractor of the Company to purchase up to 600,000 common shares of the Company at a price of \$0.16 per share. The stock options are exercisable on or before October 28, 2026 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 400,000 stock options were granted to a director of the Company.

In November 2021, the Company issued 100,000 common shares as part of an option payment for the Gold Rush property (note 6).