

SANATANA RESOURCES INC.

Consolidated Financial Statements

Year Ended March 31, 2021

Expressed in Canadian Dollars

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Independent Auditor's Report

To the Shareholders of Sanatana Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Sanatana Resources Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the related consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that, while the Company incurred net income of \$1,365,357 during the year ended March 31, 2021, the Company expects to report net losses into the foreseeable future and, as of that date, the Company had an accumulated deficit of \$49,960,806. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Bryndon Kydd.

BDO Canada LLP

Chartered Professional Accountants
Vancouver, Canada
July 8, 2021

Sanatana Resources Inc.

Consolidated Statements of Financial Position

	Notes	March 31, 2021 \$	March 31, 2020 \$
ASSETS			
Current assets			
Cash	5	3,038,829	10,470
Receivables	6	29,692	1,831
Prepaid expenses		57,530	15,977
Short-term investments	7	1,408,630	-
Total current assets		4,534,681	28,278
Non-current assets			
Prepaid exploration and evaluation advance		10,923	-
Exploration and evaluation assets	8	1,799,485	524,879
Equipment	10	71,748	15,063
Total non-current assets		1,882,156	539,942
Total assets		6,416,837	568,220
LIABILITIES			
Current liabilities			
Payables and accruals	11	262,655	440,891
Advances from related party	12	-	4,000
Liability to renounce exploration expenditures		185,136	8,053
Total liabilities		447,791	452,944
EQUITY			
Share capital	14	49,716,124	46,183,631
Reserves	14	6,213,728	5,257,808
Deficit		(49,960,806)	(51,326,163)
Total equity		5,969,046	115,276
Total equity and liabilities		6,416,837	568,220

Nature of operations and going concern (Note 1)

Commitments (Note 19)

Events after the reporting period (Note 23)

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 consolidated financial statements.

Sanatana Resources Inc.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the year ended March 31,	Notes	2021 \$	2020 \$
Expenses			
Consulting and advisory fees		23,500	-
Depreciation	10	3,724	8,456
Director fees		4,500	-
Exploration expenses		42,851	486,878
Filing fees		11,439	21,472
Foreign exchange		69	(4,190)
Investor relations		145,737	10,421
Management fees and salaries	16	386,058	177,768
Office and administration		44,831	38,014
Professional fees		77,684	54,118
Rent		20,760	19,274
Share-based compensation	15	768,300	-
Transfer agent fees		22,098	10,569
Travel and accommodation		1,135	12,955
Loss before other income/expenses		(1,552,686)	(835,735)
Exploration and evaluation assets impairment	8	-	(285,626)
Unrealized loss on short-term investments	7	(261,370)	-
Other income		149,413	18,734
Gain on sale of mineral property rights	9	3,030,000	-
Income (loss) and total comprehensive income (loss) for the year		1,365,357	(1,102,627)
Income (loss) per share - basic		0.04	(0.06)
Weighted average common shares outstanding - basic		36,658,069	19,531,133
Income (loss) per share - diluted		0.04	(0.06)
Weighted average common shares outstanding - diluted		37,352,548	19,531,133

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

Sanatana Resources Inc.

Consolidated Statements of Changes in Equity

	Notes	Number of Shares	Share Capital \$	Reserves \$	Deficit \$	Equity \$
Balance - March 31, 2019		18,672,335	45,646,051	5,232,808	(50,223,536)	655,323
Shares issued for Empress Property	8, 14	120,000	54,000	-	-	54,000
Shares issued for Tirua Property	8, 14	2,420,000	484,000	-	-	484,000
Share issue costs		-	(420)	-	-	(420)
Warrants issued for Empress Property		-	-	25,000	-	25,000
Loss for the year		-	-	-	(1,102,627)	(1,102,627)
Balance - March 31, 2020		21,212,335	46,183,631	5,257,808	(51,326,163)	115,276
Private placements	14	25,049,998	3,700,000	2,520	-	3,702,520
Share issue costs	14	-	(682,707)	-	-	(682,707)
Shares issued for Gold Rush Project	8, 14	2,341,822	515,200	185,100	-	700,300
Share-based compensation	15	-	-	768,300	-	768,300
Income for the year		-	-	-	1,365,357	1,365,357
Balance - March 31, 2021		48,604,155	49,716,124	6,213,728	(49,960,806)	5,969,046

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

Sanatana Resources Inc.

Consolidated Statements of Cash Flows

For the year ended March 31,	Notes	2021	2020
		\$	\$
Cash provided by (used in):			
Operating activities:			
Income (loss) for the period		1,365,357	(1,102,627)
Adjustments for:			
Depreciation of property and equipment	10	3,724	8,456
Other income		(108,584)	(31,730)
Unrealized loss on short-term investments		261,370	-
(Gain) loss on sale of equipment		458	(11,428)
Share-based compensation	15	768,300	-
Sale of mineral property rights	9	(3,030,000)	-
Exploration and evaluation assets impairment		-	285,626
Exploration and evaluation expenditures	8	(14,457)	486,878
Changes in non-cash working capital items:			
Receivables		(27,861)	2,266
Prepaid expenses		(41,553)	(3,523)
Payables and accruals		(251,197)	19,457
		(1,074,443)	(346,625)
Investing activities:			
Prepaid exploration and evaluation advance		(10,923)	2,033
Purchase of short-term investments		(1,000,000)	-
Exploration and evaluation	8	(637,889)	(743,038)
Sale of mineral property rights, net of finders fees	9	2,360,000	-
Equipment purchases	10	(69,367)	(6,349)
Recovery of exploration expenses		-	2
		641,821	(747,352)
Financing activities			
Issuance of common shares	14	3,700,000	-
Share issue costs	14	(235,019)	(420)
Advance to related party		-	4,000
Repayment to related party		(4,000)	-
		3,460,981	3,580
Change in cash		3,028,359	(1,090,397)
Cash, beginning of year		10,470	1,100,867
Cash, end of year		3,038,829	10,470

Supplementary cash flow information (note 18)

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

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

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 recorded income of \$1,365,357 during the year ended March 31, 2021 and, as of that date, the Company’s deficit was \$49,960,806. 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 July 8, 2021.

2. Basis of Presentation

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

The consolidated 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, 2021.

The consolidated financial statements have been prepared under the historical cost basis except for financial instruments measured at fair value. 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 consolidated 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 consolidated financial statements are disclosed in note 4.

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

3. Summary of Significant Accounting Policies

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

b) Basis of Consolidation

These 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. The functional currency of the parent and subsidiary companies is the Canadian dollar.

c) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net loss.

Statements of comprehensive loss and cash flows for entities whose functional currency is different to the presentation currency are translated into the Company's presentation currency at average exchange rates for the year while their statements of financial position are translated at the year-end exchange rates. Exchange differences arising from the translation are recorded as a component of other comprehensive income (loss). On disposal of a foreign entity, such exchange differences are transferred out of this reserve and are recognized in net income (loss) as part of the gain or loss on sale.

Amounts denominated in Solomon Islands dollars are denoted by "SBD" and amounts denominated in Australian dollars are denoted by "A\$"

d) Short-term investments

Short-term investments comprise guaranteed investment certificates with a term of more than three months and less than one year, and other investments that can be realized within one year. Short-term investments are carried at their market value with any gain or loss charged to profit and loss.

e) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

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

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

3. Summary of Significant Accounting Policies (continued)

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures 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 at each financial reporting period 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 and any incidental revenues beyond the capitalized exploration costs would then be recognized on the statement of loss and comprehensive loss.

Mineral exploration and evaluation expenditures are classified as intangible assets.

f) 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.

g) 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.

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.

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

3. Summary of Significant Accounting Policies (continued)

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
Equipment	Straight line over 5 years
Vehicles	Straight line over 5 years

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

h) 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.

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

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

3. Summary of Significant Accounting Policies (continued)

i) Financial Instruments

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 at fair value through profit and loss 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.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments

During the current period, the Company received warrants to purchase common shares of Ely Gold (see notes 7 and 14). These warrants are financial instruments that the Company has classified as fair value through profit or loss (“FVTPL”) because the financial asset is held for trading. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The fair value of the warrants is estimated at the end of every reporting period and the carrying value is adjusted to fair value with any increase or decrease in value being recognized profit and loss. The warrants are not traded in a public market and fair value is estimated using “significant other observable inputs”, a “level 2” classification.

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

3. Summary of Significant Accounting Policies (continued)

j) 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.

k) 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.

l) 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 options, 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.

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

3. Summary of Significant Accounting Policies (continued)

m) 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 liability until paid.

When the Company issues warrants comprising a flow-through share and a warrant, the warrant is not exercisable for an additional flow-through share and Company does not ascribe a value to the warrant.

n) 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.

o) 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.

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

3. Summary of Significant Accounting Policies (continued)

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.

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.

p) New accounting standards issued and effective

There are no pronouncements, issued by the IASB or the IFRS Interpretations Committee, that were adopted during the period, or were mandatory for the Company's fiscal periods beginning on or after April 1, 2020 that have a material impact on the Company's financial statements.

q) 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, 2021. None of these are expected to be relevant to 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:

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

4. Critical Accounting Estimates and Judgements (continued)

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.

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.

Ely Gold Warrant Valuation

The Company estimates the value of the Ely Gold 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 Ely Gold warrants are disclosed in note 7.

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees and warrants issued by the Company 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 payments to employees are disclosed in note 15. The assumptions and models used for estimating fair value of warrants is disclosed in note 14.

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

4. Critical Accounting Estimates and Judgements (continued)

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.

5. Cash

Cash at banks and on hand earn interest at floating rates in effect from time to time. At March 31, 2021, the floating rate was zero percent.

6. Receivables

At March 31,	2021	2020
	\$	\$
Other	1,929	-
GST - value added tax	27,763	1,831
	<u>29,692</u>	<u>1,831</u>

7. Short-term Investments

	Number	Cost	Carrying Value	
			March 31, 2021	March 31, 2020
		\$	\$	\$
Ely Gold Royalties Inc. warrants	1,000,000	670,000	408,000	-
Guaranteed investment certificates			1,000,630	-
			<u>1,408,630</u>	<u>-</u>

On December 3, 2020, the Company was granted warrants that allow the purchase of common shares of Ely Gold Royalties Inc. ("Ely Gold") at an exercise price of \$1.31 per share on or before December 3, 2025. Ely Gold has 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 (see note 9).

The Ely Gold warrants are not publicly traded. The Company employed the Black-Scholes option-pricing model using the following assumptions to determine their fair value:

	March 31, 2021	December 3, 2020
Risk-free interest rate	0.99%	0.46%
Estimated volatility	67%	69%
Expected life	4.68 years	5.0 years

Sanatana Resources Inc.
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

7. Short-term Investments (continued)

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

8. Exploration and Evaluation Assets

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

	March 31, 2019	Additions	Impairment	March 31, 2020	Additions	March 31, 2021
	\$	\$	\$	\$	\$	\$
Canada						
Gold Rush Project	-	-	-	-	1,267,674	1,267,674
Santoy Property	13,404	81,653	(95,057)	-	-	-
Empress Property	-	194,569	(194,569)	-	-	-
	13,404	276,222	(289,626)	-	1,267,674	1,267,674
Solomon Islands						
Tirua Property	-	524,879	-	524,879	6,932	531,811
Sutakiki Property	-	-	-	-	-	-
	13,404	801,101	(289,626)	524,879	1,274,606	1,799,485

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 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 an 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.

Sanatana Resources Inc.
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

8. Exploration and Evaluation Assets (continued)

Timing	Gold Rush North		Gold Rush South	
	Cash Payments	Share Issuances	Cash Payments	Share Issuances
	\$	\$	\$	\$
August 2020	-	-	-	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 through the issuance of 41,822 common shares

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
	\$	\$	\$
Acquisition costs, shares and warrants	-	600,800	600,800
Contractor and consultant	-	466,825	466,825
Project management fees	-	80,000	80,000
Field and camp	-	50,050	50,050
Sampling and assays	-	28,650	28,650
Transport and accommodation	-	41,349	41,349
Gold Rush Project	-	1,267,674	1,267,674

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 Consolidated Financial Statements
For the year ended March 31, 2021

8. 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	<u>370,000</u>
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 \$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, 2019	Change	March 31, 2020	Change	March 31, 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	7,833	388	8,221
Transport and accomodation	-	15,809	15,809	320	16,129
Permitting and other	-	3,671	3,671	6,224	9,895
Tirua Property	-	524,879	524,879	6,932	531,811

Sutakiki Property

In February 2020, the Company 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. Funded by CNE, Sanatana will obtain a letter of intent from the Ministry (as defined above) for the property to allow the Company to negotiate land access and, with CNE personnel, to conduct an initial due diligence assessment. Upon the property successfully meeting initial due diligence requirements, Sanatana will enter into negotiations with local landowners allowing for a surface access agreement and for the Ministry to grant a prospecting licence. Upon the issuance of the prospecting licence, Sanatana and CNE will form a joint venture on the following terms:

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

8. Exploration and Evaluation Assets (continued)

- CNE can fund A\$2,500,000 to Sanatana for exploration and upon completion CNE will earn a 51% working interest of the joint venture.
- CNE can fund a further A\$5,000,000 to earn an additional 25% working interest of the joint venture.
- CNE can fund a further A\$7,000,000 to earn an additional 16.5% working interest. Sanatana's 7.5% working interest can be converted to a 1% NSR royalty, subject to half being purchased by CNE for A\$2,500,000 with a one-time right of first refusal on the balance.

In the year ended March 31, 2021, the Company spent \$14,371 (2020 - \$12,421) on exploration which it charged to operations. Certain exploration expenses are recoverable from CNE plus a management fee and are recognized when received. In the year ended March 31, 2021, the Company received \$14,022 (2020 - \$nil).

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,		
	2019	Change	Impairment	2020	Change	2021
	\$	\$	\$	\$	\$	\$
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 accomodation	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 year ended March 31, 2021 the Company charged \$24,000 (2020 - \$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 at that time 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 Consolidated Financial Statements
For the year ended March 31, 2021

8. Exploration and Evaluation Assets (continued)

Although the successful optioning of the Empress property improved the outlook for the Santoy property, the Company does not believe that the conditions required to reverse the impairment provision had been met at March 31, 2021 or subsequently.

Empress Property

	March 31, 2019	Change	Impairment	March 31, 2020 and 2021
	\$	\$	\$	\$
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 accomodation	-	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. Sanatana cured the deficiencies and the Empress property was subsequently transferred to Sanatana's name in April 2020.

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 year ended March 31, 2021, the Company expensed \$nil (2020 - \$10,990) directly to operations regarding exploration on the Empress property.

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

8. 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 in April 2020, the Company does not believe that the conditions required to reverse the impairment provisions had been met at March 31, 2021 or subsequently.

9. Sale of Mineral Property Rights

Watershed Property

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 (see Watershed Property below). In September 2020, Sanatana agreed a part-and-parcel agreement to sell its rights to the Watershed Property post-closing payments and undertake a private placement with Ely Gold Royalties Inc. (“Ely Gold”). The transaction closed in December 2020 and had three principal components:

Sale of Royalty

Sanatana sold its right to a net smelter royalty for consideration of \$2,500,000 in cash and warrants to purchase up to 1,000,000 Ely Gold common shares exercisable at \$1.31 per share until December 3, 2025. Ely Gold has 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. Shares acquired under the warrant are subject to a hold period that expired on April 4, 2021.

Deferred Payment Assignment

Sanatana also assigned its interest in certain deferred payments from the Watershed Property 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 subscribed for 1,666,666 common shares at \$0.33 per share for gross proceeds of \$500,000. 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 are subject to a hold period which expires April 12, 2021.

The Company paid a finder’s fee of \$150,000 to an arm’s length party in connection with these transactions.

Sanatana Resources Inc.
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

10. 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
Additions	-	-	58,416	10,951	69,367
Disposal	-	-	(16,302)	-	(16,302)
At March 31, 2021	10,271	-	75,518	80,797	166,586
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	-	-	2,454	1,270	3,724
Disposal	-	-	(7,344)	-	(7,344)
At March 31, 2021	10,271	-	18,740	65,827	94,838
Net book value					
At March 31, 2020	-	-	9,774	5,289	15,063
At March 31, 2021	-	-	56,778	14,970	71,748

The \$956 depreciation expense was capitalized to the Tirua Property in fiscal 2020.

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 with a carrying value of \$8,958 for nil proceeds.

In July 2020, the Company disposed of a quad and trailer (note 16) with a market value of \$8,500 and a net book value of \$8,958 resulting in a loss on disposition of \$458.

11. Payables and Accruals

At March 31,	2021	2020
	\$	\$
Trade payables	156,238	237,060
Accrued liabilities	2,165	69,436
Exploration expenditures	94,911	22,082
Due to related parties	9,341	112,313
	262,655	440,891

Sanatana Resources Inc.
Notes to the Consolidated Financial Statements
For the year ended March 31, 2021

12. Advance from Related Party

	\$
At March 31, 2019	-
Advances	4,000
At March 31, 2020	4,000
Advances	20,000
Repayment	(24,000)
At March 31, 2021	-

Advances from related party did not bear interest and had no fixed terms for repayment.

13. Income Taxes

A reconciliation of the income tax provision computed at statutory rates of 27% (2020 – 27%) to the reported income tax provision is as follows:

For the year ended March 31,	2021	2020
	\$	\$
Loss for the year before taxes	1,365,357	(1,102,627)
Expected income tax recovery (expense) at statutory rate	(368,600)	297,700
Increase (decrease) in income tax recovery resulting from:		
Foreign tax rate adjustment	-	500
Non-deductible items	(351,200)	(221,100)
Impact of flow-through shares	(553,500)	-
Share issue costs	49,100	14,700
Impact of mineral property rights sale	(222,700)	-
Change in unrecognized deferred tax asset	1,446,900	(91,800)
Income tax recovery (expense)	-	-

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,	2021	2020
	\$	\$
Deferred tax assets		
Non-capital losses	4,332,000	4,141,100
Share issuance costs and other	155,700	165,200
Exploration and evaluation assets	2,091,400	3,720,400
	6,579,100	8,026,700
Unrecognized deferred tax assets	(6,579,100)	(8,026,700)
Deferred tax assets	-	-

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

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13. Income Taxes

The potential benefits of these carry-forward non-capital losses, capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered. At March 31, 2021, the Company has accumulated Canadian Exploration and Development Expenditures of \$9,545,000 (2020 - \$12,765,921) and has accumulated non-capital losses totalling \$16,044,000 (2020 - \$15,335,000), which expire in various amounts from 2026 to 2041.

14. 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 addition to the share issuance costs noted below, the Company incurred legal, filing fees and other costs associated with private placements of \$75,454. The Company also made an adjustment to shareholders' equity to reflect the value to tax benefits transferred as part of flow through offerings of \$285,667.

Ely Gold Private Placement

In December 2020, Sanatana completed a non-brokered private placement of 1,666,666 common shares at a price of \$0.30 per common share for proceeds of \$500,000. This private placement was part of the Ely Gold transaction (note 9). Securities issued under the private placement are subject to a hold period which will expire in April 2021.

December 2020 private placement

In December 2020, Sanatana completed a non-brokered private placement of 4,800,000 flow-through units at \$0.25 per flow-through unit for aggregate gross proceeds of \$1,200,000.

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 \$0.35; 1,500,000 until December 9, 2022 and 900,000 until December 17, 2022.

In connection with the private placement, the Company paid finder's fees of \$52,000 and issued 28,000 finder warrants to arm's length parties. Each finder warrant entitles the holder to acquire one common share at a price of \$0.35 per common share until December 17, 2022. The finder warrants were valued at \$2,520 using the Black-Scholes option-pricing model with the following assumptions:

Dividend yield	0%
Risk-free interest rate	0.20%
Estimated volatility	112%
Expected life in years	2

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

14. Share Capital and Reserves (continued)

August 2020 private placement

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.

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 \$107,556 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-half 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 \$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 8). 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 18, 2022. The warrants were valued at \$25,600 using the Black-Scholes option-pricing model with the following assumptions:

Sanatana Resources Inc.

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For the year ended March 31, 2021

14. Share Capital and Reserves (continued)

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 8).

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 March 31, 2021:

	\$
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	162,020
Fair value of warrants issued re Gold Rush Project finder's fee	25,600
Share-based compensation	768,300
Balance March 31, 2021	6,213,728

Warrants

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

	March 31, 2021		March 31, 2020	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of year	3,752,305	\$1.00	3,652,305	\$1.00
Granted	12,912,881	0.22	100,000	1.00
Balance, end of year	16,665,186	0.39	3,752,305	\$1.00

Sanatana Resources Inc.
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For the year ended March 31, 2021

14. Share Capital and Reserves (continued)

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Financing Warrants	Compensatory Warrants
August 6, 2021	\$ 0.25	-	429,216
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	1,524,171

(*) 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.

15. 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 11).

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.

	March 31, 2021		March 31, 2020	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of year	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 year	3,870,000	\$0.38	570,000	\$0.60

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

15. Share-Based Payments (continued)

Summary of outstanding options at March 31, 2021:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
\$0.35	3,400,000	\$0.35	4.50 years	850,000	\$0.35
\$0.60	470,000	\$0.60	1.43 years	470,000	\$0.60
	3,870,000	\$0.38	4.13 years	1,320,000	\$0.44

The Company incurred an expense of \$768,300 (2020 \$nil) for share-based payments for the year ended March 31, 2021.

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

Dividend yield	0%
Risk-free interest rate	0.36%
Estimated volatility	191%
Expected life in years	5

The grant-day fair value was \$0.33

16. Related Party Transactions and Balances

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

For the year ended March 31,	2021	2020
	\$	\$
Short-term compensation	408,106	293,558
Share-based payments	576,200	-
Total	984,306	293,558

Included in the above is compensation paid through companies:

S2 Management Inc.	35,530	19,580
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S2 Management Inc. is controlled by the Company's CFO.

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

16. Related Party Transactions and Balances

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

At March 31,	2021	2020
	\$	\$
Directors and officers	7,010	107,577
S2 Management Inc.	2,331	4,736
	9,341	112,313

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

In the year ended March 31, 2021, 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 10. The Company also repaid advances of \$24,000 to its CEO, see note 12.

17. Income (Loss) per Share

The net income per share for the year ended March 31, 2021 excludes the exercise of 1,320,000 options and 10,351,186 warrants that would be anti-dilutive. Diluted loss per share for the year ended March 31, 2020 is the same as basic income (loss) per share as the exercise of the 670,000 options and 3,752,305 warrants would be anti-dilutive.

18. Supplemental Cash Flow Information

Non-cash investing activities included the following:

For the year ended March 31,	2021	2020
	\$	\$
Non-cash investing activities:		
Shares issued for exploration and evaluation assets	515,199	538,000
Fair value of finders' warrants granted	162,020	-
Liability to renounce flow-through expenditures	185,136	-
Fair value of warrants granted re option agreement	25,600	25,000
Change in payables for exploration and evaluation assets	(90,918)	(22,059)
Settlement of liability through transfer of asset	-	12,000

19. Commitments

In August 2020, the Company undertook a flow-through financing and at March 31, 2021 was obliged, under the terms to the financing and related tax law to expend \$246,813 on mineral exploration before December 31, 2022.

In December 2020, the Company undertook a new flow-through financing and at March 31, 2021 was obliged, under the terms to the financing and related tax law to expend \$1,200,000 on mineral exploration before December 31, 2022.

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

20. Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At March 31, 2021, all exploration and evaluation assets and equipment were located in Canada and Solomon Islands.

At March 31,	2021	2020
	\$	\$
Canada	1,335,403	9,774
Solomon Islands	535,830	530,168
	1,871,233	539,942

21. 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.

The Company does not have any externally imposed capital requirements.

There were no changes to the Company's approach to capital management during the year ended March 31, 2021.

22. 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, 2021, the Company was not subject to significant interest rate risk.

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, certain short-term investments and receivables.

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

22. Financial Risk Management (continued)

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. All payables are due within a year.

Currency Risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at March 31, 2021, the Company has activities in other countries which exposes the Company to foreign exchange risk.

As at March 31, 2021 with other variables unchanged, a 10% increase (decrease) in the Canadian dollar would have the following effect on loss for the year:

Year ended March 31	2021	2020
	\$	\$
Solomon Island SBD	316	262
Australian dollars	-	461

Exposure to the Canadian dollar on financial instruments is as follows:

Balances at March 31	2021	2020
	\$	\$
Cash	6,304	1,877
Payables and accruals	(3,145)	(9,109)

Sanatana Resources Inc.

Notes to the Consolidated Financial Statements

For the year ended March 31, 2021

22. Financial Risk Management (continued)

Fair Value

The following table presents the fair value hierarchy for the Company's financial assets and financial liabilities:

At March 31, 2021	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets:				
Cash and cash equivalents	3,038,829	-	-	3,038,829
Short-term investments	1,000,630	408,000	-	1,408,630
	4,039,459	408,000	-	4,447,459
Liabilities:				
Payables and accruals	262,654	-	-	262,654
	262,654	-	-	262,654
At March 31, 2020				
	\$	\$	\$	\$
Assets:				
Cash and cash equivalents	10,470	-	-	10,470
	10,470	-	-	10,470
Liabilities:				
Payables and accruals	440,891	-	-	440,891
Advances from related party	4,000	-	-	4,000
	444,891	-	-	444,891

23. Events after the Reporting Date

In April 2021, the Company issued 350,000 common shares at a deemed price of \$0.20 per share for settlement of a debt in the amount of \$70,000.

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 April 2021, the Company signed a letter of intent with ArcWest Exploration Inc. to negotiate an earn-in and joint venture agreement on the Oweegee Dome Project.