

SANATANA RESOURCES INC.

Financial Statements

For the Year Ended March 31, 2013

Expressed in Canadian Dollars

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Independent Auditor's Report

To the Shareholders of Sanatana Resources Inc.

We have audited the accompanying financial statements of Sanatana Resources Inc., which comprise the statements of financial position as at March 31, 2013 and 2012 and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sanatana Resources Inc. as at March 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$1,302,498 during the year ended March 31, 2013 and, as of that date, had accumulated deficit of \$35,274,110. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO CANADA LLP"

Chartered Accountants

Vancouver, British Columbia
July 10, 2013

Sanatana Resources Inc.

Statements of Financial Position

	Notes	March 31, 2013 \$	March 31, 2012 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	791,267	2,325,543
Receivables	6	118,106	160,184
Prepaid expenses	7	22,114	25,210
Total current assets		931,487	2,510,937
Non-current assets			
Prepaid exploration and evaluation advance	7	4,056	54,239
Reimbursable bonds and deposits	8	269,651	276,488
Exploration and evaluation assets	9	9,339,616	4,229,548
Property and equipment	10	160,975	193,569
Total non-current assets		9,774,298	4,753,844
Total assets		10,705,785	7,264,781
LIABILITIES			
Current liabilities			
Payables and accruals	11	278,241	476,775
Provisions	12	130,000	150,000
Liability to renounce exploration expenditures	14	43,554	31,430
Total liabilities		451,795	658,205
EQUITY			
Share capital	14	41,086,459	36,900,647
Reserves	14	4,441,641	3,677,541
Deficit		(35,274,110)	(33,971,612)
Total equity		10,253,990	6,606,576
Total equity and liabilities		10,705,785	7,264,781

"Peter Miles", Director

Peter Miles

"Edward Marlow", Director

Edward Marlow

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

Sanatana Resources Inc.

Statements of Comprehensive Loss

For the year ended March 31,	Notes	2013	2012
		\$	\$
Expenses			
Depreciation	10	32,594	35,266
Director fees	16	74,000	70,000
Filing fees		20,340	20,003
Investor relations		18,704	27,500
Management fees and salaries	16	341,597	332,426
Office and administration		62,022	59,283
Professional fees		171,556	102,276
Property investigations		1,000	69,053
Rent		107,488	98,126
Share-based compensation	15	728,000	316,000
Transfer agent fees		15,567	18,181
Travel and accommodation		43,980	45,486
Loss before undernoted		(1,616,848)	(1,193,600)
Abandoned claim costs		-	(21,417)
Reimbursable bonds and deposits impairment	8	(5,000)	-
Prepaid fuel impairment		(14,612)	-
Part XII.6 tax		-	(12,518)
Exploration and evaluation assets impairment		-	(68,347)
Exploration and evaluation reduction in provision	9, 12	20,000	-
Equipment rental income		-	37,995
Interest income		3,014	10,874
Loss before income taxes		(1,613,446)	(1,247,013)
Deferred income tax recovery		310,948	284,500
Loss and total comprehensive loss for the year		(1,302,498)	(962,513)
Loss per share - basic and diluted	17	(0.01)	(0.01)

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

Sanatana Resources Inc.

Statements of Changes in Equity

	Notes	Common Shares \$	Reserves \$	Deficit \$	Equity \$
Balance - March 31, 2011		35,221,306	3,359,668	(33,009,099)	5,571,875
Agent warrants exercised	14	129,129	(28,247)	-	100,882
Warrants exercised	14	482,916	-	-	482,916
Private placement of flow-through shares	14	1,000,000	-	-	1,000,000
Share issuance costs	14	(84,804)	-	-	(84,804)
Liability to renounce exploration expenditures		(303,030)	-	-	(303,030)
Fair value of finder warrants	14	(30,120)	30,120	-	-
Watershed finder fees	9	50,250	-	-	50,250
Share issuance for Watershed option	9	435,000	-	-	435,000
Share-based compensation	15	-	316,000	-	316,000
Loss for the year		-	-	(962,513)	(962,513)
Balance - March 31, 2012		36,900,647	3,677,541	(33,971,612)	6,606,576
Private placement	14	1,328,750	-	-	1,328,750
Private placement of flow-through shares	14	2,840,455	-	-	2,840,455
Share issuance costs	14	(244,043)	-	-	(244,043)
Fair value of broker warrants	14	(36,100)	36,100	-	-
Shares issued for exploration and evaluation assets	9	619,822	-	-	619,822
Liability to renounce exploration expenditures	13	(323,072)	-	-	(323,072)
Share-based compensation	15	-	728,000	-	728,000
Loss for the year		-	-	(1,302,498)	(1,302,498)
Balance - March 31, 2013		41,086,459	4,441,641	(35,274,110)	10,253,990

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

Sanatana Resources Inc.

Statements of Cash Flows

For the year ended March 31,	Notes	2013	2012
		\$	\$
Cash provided by (used in):			
Operating activities:			
Loss before income taxes		(1,613,446)	(1,247,013)
Adjustments for:			
Depreciation of property and equipment	10	32,594	35,266
Interest income		(3,014)	(10,874)
Impairment of prepaid expenses		14,612	12,518
Reimbursable bonds and deposits impairment	8	5,000	-
Share-based compensation	15	728,000	316,000
Exploration and evaluation assets impairment	13	-	68,347
Exploration and evaluation asset impairment recovery		(20,000)	-
Changes in non-cash working capital items:			
Receivables		42,078	(121,894)
Prepaid expenses		3,096	16,350
Payables and accruals		26,423	6,711
		(784,657)	(924,589)
Investing activities:			
Prepaid exploration and evaluation advance		35,571	(54,239)
Reimbursable bonds and deposits	8	1,837	959
Exploration and evaluation assets	9	(4,715,203)	(2,413,580)
Property and equipment purchases	10	-	(3,033)
Interest received		3,014	10,874
		(4,674,781)	(2,459,019)
Financing activities			
Issuance of common shares, net of costs	14	3,925,162	1,498,994
		3,925,162	1,498,994
Decrease in cash and cash equivalents		(1,534,276)	(1,884,614)
Cash and cash equivalents, beginning of year		2,325,543	4,210,157
Cash and cash equivalents, end of year		791,267	2,325,543
Cash and equivalents comprise:			
Cash		315,983	252,931
Equivalents		475,284	2,072,612
		791,267	2,325,543

Supplementary cash flow information (note 18)

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

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

1. Nature of Operations and Continuance of Operations

Sanatana Resources Inc. ("Sanatana" or the "Company") was incorporated as Sanatana Diamonds Inc. on June 25, 2004 under the British Columbia Business Corporations Act. The Company changed its name to Sanatana Resources Inc. on April 28, 2011. Sanatana is an exploration stage company, and its principal business activity is the acquisition, exploration and development of mineral properties. The Company holds a 50% interest in certain Ontario gold exploration claims and has an option to acquire a further 1% interest.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company has not generated revenue from operations. The Company incurred a loss of \$1,302,498 during the year ended March 31, 2013 and, as of that date the Company's deficit was \$35,274,110. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash of \$791,267 at March 31, 2013 (2012 - \$2,325,543).

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

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

The head office and principal address of the Company are located at Suite 1925 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

These financial statements were approved by the board of directors on July 10, 2013.

2. Basis of Presentation

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

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collectively includes all applicable individual International Financial Reporting Standards and Interpretations approved by the International Accounting Standards Board (the "IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB, effective for the Company's reporting for the year ended March 31, 2013.

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

2. Basis of Presentation (continued)

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

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

3. Summary of Significant Accounting Policies

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

a) Cash and Cash Equivalents

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

b) Mineral Exploration and Evaluation Expenditures

Pre-exploration Costs

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

Exploration and Evaluation Expenditures

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

The Company may occasionally enter into farm-out arrangements, whereby the Company transfers part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

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.

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

3. Summary of Significant Accounting Policies (continued)

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

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

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

Mineral exploration and evaluation expenditures are classified as intangible assets.

c) Reclamation Deposits

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

d) Property and Equipment

Recognition and Measurement

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

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

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

Subsequent Costs

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

Major Maintenance and Repairs

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

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

3. Summary of Significant Accounting Policies (continued)

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
Leasehold improvements	Straight line over 3 Years
Mining equipment	Straight line over 5-25 Years

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

e) Impairment of Non-Financial Assets

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

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

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

f) Financial Instruments

Financial Assets

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

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

3. Summary of Significant Accounting Policies (continued)

Loans and Receivables

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

Impairment on Financial Assets

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

Financial Liabilities

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

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

g) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

3. Summary of Significant Accounting Policies (continued)

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Other Provisions

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

h) Income Taxes

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

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

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

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

i) Share Capital

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

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

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

3. Summary of Significant Accounting Policies (continued)

Flow-through Shares

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

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as a commitment in note 19.

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

j) Earnings / Loss Per Share

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

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

k) Share-based Payments

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

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

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

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

3. Summary of Significant Accounting Policies (continued)

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

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

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

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

l) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for the Company's fiscal years beginning on or after April 1, 2013. The following standards and interpretations are relevant to the Company's financial statements but are not yet effective:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015 but is not likely to have a material impact on the Company's financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on April 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

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:

Rehabilitation Provisions

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

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

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.

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 15.

5. Cash and Cash Equivalents

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates. Short-term investment deposits included in cash and cash equivalents bear interest rate at 0.35% to maturity.

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

6. Receivables

At March 31,	2013	2012
	\$	\$
Related parties	7,518	7,518
Other	-	40,076
HST - value added tax	110,588	112,590
	<u>118,106</u>	<u>160,184</u>

7. Prepaid Expenses

At March 31,	2013	2012
	\$	\$
Current		
Prepaid expenses	22,114	25,210
Non-current		
Prepaid exploration and evaluation expenditures	4,056	54,239

8. Reimbursable Bonds and Deposits

	\$
Balance March 31, 2011	277,447
Bond redemptions	<u>(959)</u>
Balance March 31, 2012	276,488
Bond redemptions	(1,837)
Bond impairment	<u>(5,000)</u>
Balance March 31, 2013	<u>269,651</u>

At March 31, 2013, the Company assessed the recoverability of reimbursable bonds and deposits and concluded that it would not be likely to recover all deposits. The Company has recorded a \$5,000 impairment provision.

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

9. Exploration and Evaluation Assets

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

	March 31, 2011	Change	March 31, 2012	Change	March 31, 2013
	\$	\$	\$	\$	\$
Watershed property	901,562	3,327,986	4,229,548	5,110,068	9,339,616
Mackenzie Diamond Project	68,347	(68,347)	-	-	-
	<u>969,909</u>	<u>3,259,639</u>	<u>4,229,548</u>	<u>5,110,068</u>	<u>9,339,616</u>
Total impairment for the period		<u>\$ (68,347)</u>		<u>\$ -</u>	

Watershed property

	March 31, 2011	Change	March 31, 2012	Change	March 31, 2013
	\$	\$	\$	\$	\$
Acquisition costs	850,000	553,250	1,403,250	551,822	1,955,072
Contractor and consultant	22,562	1,974,759	1,997,321	3,002,293	4,999,614
Helicopter and fixed wing aircraft costs	-	13,007	13,007	-	13,007
Expediting	-	5,216	5,216	-	5,216
Project management fees	27,000	135,405	162,405	170,000	332,405
Field and camp	2,000	86,440	88,440	141,347	229,787
Sampling and assays	-	299,612	299,612	846,788	1,146,400
Transport and accommodation	-	214,940	214,940	343,563	558,503
Reclamation provision	-	30,000	30,000	-	30,000
Permitting and other	-	15,357	15,357	54,255	69,612
Watershed property	<u>901,562</u>	<u>3,327,986</u>	<u>4,229,548</u>	<u>5,110,068</u>	<u>9,339,616</u>

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

The Company has earned a 50% undivided interest in the Claims (the "50% Interest") by paying \$150,000 in cash, issuing 5,000,000 common shares of which 1,500,000 were issued in current fiscal year at a fair value of \$510,000, and incurring exploration expenditures of \$5,000,000. The Company has continued exploration of the Claims and incurred a further \$3,253,000 in exploration expenditures, including a permitted administrative mark-up, that will be credited to the Company's contribution to the first work program after formation of a joint venture.

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

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

9. Exploration and Evaluation Assets (continued)

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

The Company agreed to pay a finders' fee in connection with the Watershed property that was payable in the Company's common shares. The amount of the finders' fee was based on the transaction value, as defined in the finder's fee agreement. The maximum value of the finders' fee determined in accordance with applicable regulatory policies was \$142,500, which was settled through the issuance of 678,570 common shares. In fiscal 2012, the Company issued 239,283 common shares with a value for accounting purposes of \$50,250. In August 2012, the Company issued 439,287 common shares with a value for accounting purposes of \$109,822.

Mackenzie Diamond Project

On July 31, 2004 and March 4, 2005, the Company entered into a series of agreements with the Jaeger Joint Venture ("Jaeger"), an entity partially owned by a director of the Company, to purchase the rights to any diamonds located on a series of properties (the "MacKenzie Diamond Project") in the Inuvialuit, Gwich'in and Sahtu mining districts in the Northwest Territories, Canada. In June 2005, the Company acquired from Jaeger all other mineral rights, excluding uranium rights, to the prospecting permits to which it already owned diamond rights. The Company has abandoned this property having previously fully impaired its carrying value.

In the current year, the Company satisfied certain of its reclamation obligations for which it had accrued \$20,000 without incurring any costs and as a result released a provision in this amount (note 12).

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

10. Property and Equipment

	Office Furniture	Computer Equipment	Leasehold Improvements	Exploration Equipment	Total
	\$	\$	\$	\$	\$
Cost					
At March 31, 2011	34,703	26,458	41,357	363,497	466,015
Additions	-	3,033	-	-	3,033
At March 31, 2012	34,703	29,491	41,357	363,497	469,048
Additions	-	-	-	-	-
At March 31, 2013	34,703	29,491	41,357	363,497	469,048
Accumulated Depreciation					
At March 31, 2011	31,993	25,927	41,357	140,936	240,213
Charge for the year	1,768	642	-	32,856	35,266
At March 31, 2012	33,761	26,569	41,357	173,792	275,479
Charge for the year	942	1,272	-	30,380	32,594
At March 31, 2013	34,703	27,841	41,357	204,172	308,073
Net book value					
At March 31, 2011	2,710	531	-	222,561	225,802
At March 31, 2012	942	2,922	-	189,705	193,569
At March 31, 2013	-	1,650	-	159,325	160,975

11. Payables and Accruals

At March 31,	Note	2013	2012
		\$	\$
Trade		89,942	51,845
Exploration expenditures		175,199	400,156
Due to related parties	16	13,100	24,774
		278,241	476,775

12. Provisions

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

At March 31,	2013	2012
	\$	\$
Mackenzie Diamond Project	100,000	120,000
Watershed Property	30,000	30,000
	130,000	150,000

The Company expects to complete the reclamation work by March 31, 2014 and accordingly has not applied any discount to reflect the time value of money.

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

13. Income Taxes

The material components of the income tax expense for the years ended March 31, 2013 and 2012 are as follows:

For the years ended March 31,	2013	2012
	\$	\$
Current tax expense	-	-
Deferred tax recovery (expense)	-	12,900
Reversal of flow-through shares premium liability	310,948	271,600
Total income tax recovery (expense)	310,948	284,500

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

For the years ended March 31,	2013	2012
	\$	\$
Loss for the year before taxes	(1,613,446)	(1,247,013)
Statutory tax rate	25.00%	26.13%
Expected income tax recovery	403,400	325,800
Increase (decrease) in income tax recovery resulting from:		
Non-deductible expenses	(184,200)	(83,000)
Share issue costs	61,000	21,200
Change in tax rate	-	(10,500)
Renunciation of eligible expenditures	(615,400)	(642,800)
Unrecognized (recognized) deferred tax asset	335,200	402,200
Actual tax recovery (expense)	-	12,900

Effective January 1, 2013, the Canadian Federal corporate tax rate and BC Provincial tax rate remained at 15% and 10% respectively.

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

13. Income Taxes (Continued)

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,	2013	2012
	\$	\$
Deferred tax assets:		
Non-capital losses	2,572,300	2,330,300
Share issuance costs and others	189,900	151,700
Exploration and evaluation assets	1,700,100	2,342,900
	<u>4,462,300</u>	<u>4,824,900</u>
Offset against deferred tax liabilities	(615,400)	(642,800)
Unrecognized deferred tax assets	<u>(3,846,900)</u>	<u>(4,182,100)</u>
Deferred tax assets	-	-
Deferred tax liabilities:		
Renunciation of exploration expense	(615,400)	(642,800)
Offset against deferred tax assets	<u>615,400</u>	<u>642,800</u>
Deferred tax liabilities	-	-
Net deferred tax balance	-	-

At March 31, 2013, the Company has accumulated Canadian Exploration and Development Expenditures of \$13,678,000 (2012 - \$11,030,000) and has accumulated non-capital losses totaling \$10,289,000 (2012 - \$9,361,000), which expire in various amounts from 2015 to 2033.

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

During the year ended March 31, 2013, the Company renounced proceeds of flow-through share issuances of \$2,840,455 (2012 - \$1,000,000).

14. Share Capital and Reserves

Authorized share capital

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

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

14. Share Capital and Reserves (continued)

Common Shares

Fiscal 2013

In November 2012, the Company closed a non-brokered private placement consisting of 6,013,500 flow-through units priced at \$0.33 per unit for gross proceeds of \$1,984,455. Each unit consisted of one flow-through common share and one-half of one share purchase warrant where each whole warrant will entitle the holder to purchase one additional non-flow-through common share of the Company at a price of \$0.40 per warrant share until November 9, 2014. The Company paid a finder's fee of \$103,158.

The Company renounced the full \$1,984,455 to investors in February 2013, but at March 31, 2013, there was a residual obligation to spend \$479,000 on exploration by December 31, 2013.

In July 2012, the Company closed a non-brokered private placement of 5,315,000 non-flow-through units priced at \$0.25 per unit and 2,853,333 flow-through units priced at \$0.30 per unit for aggregate gross proceeds of \$2,184,750. The non-flow-through units consist of one common share and a half-warrant, with each full warrant exercisable at \$0.35 until July 12, 2013. The flow-through units consist of one flow-through common share and a half-warrant, with each whole warrant exercisable into non-flow-through common shares at \$0.40 per share until July 12, 2013. The Company paid cash commissions of \$116,148 to certain finders (equal to 7% of proceeds raised by such finders) and issued 429,800 finder warrants to certain finders. The finders' warrants have a fair value of \$36,100, which was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.0%
Estimated volatility	101%
Expected life in years	1

Each finder's warrant has the same terms as the non-flow-through warrants in the offering. The Company will renounce an amount equal to the gross proceeds derived from the sale of the flow-through units to purchasers in accordance with the provisions of the Income Tax Act (Canada).

On closing the July 2012 flow-through financing, the Company recognized a \$142,667 liability representing its obligation to renounce flow-through expenditures to investors. The Company incurred sufficient exploration expenditures to satisfy this obligation by September 30, 2012 and renounced the full \$856,000 to investors in February 2013.

Fiscal 2012

In December 2011, the Company closed a non-brokered private placement of 3,030,303 flow-through shares for gross proceeds of \$1,000,000. The Company subsequently renounced an amount equal to the gross proceeds derived from the sale of the flow-through shares to purchasers in accordance with the provisions of the Income Tax Act (Canada). The Company paid cash commissions of \$70,000, \$14,804 in other offering costs, and issued 212,121 finders' warrants exercisable at \$0.40 per common share until December 30, 2012. The finders' warrants have a fair value of \$30,120, which was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.95%
Estimated volatility	144%
Expected life in years	1

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

14. Share Capital and Reserves (continued)

On closing the December 2011 flow-through financing, the Company recognized a \$303,030 liability representing its obligation to renounce flow-through expenditures to investors. The Company renounced the full \$1,000,000 to investors in February 2012, but at March 31, 2012, there was a residual liability of \$31,430 relating to financing proceeds not yet spent on exploration activities. The Company satisfied this obligation in the period ended April 30, 2012.

The following is a summary of changes in common share capital from March 31, 2011 to March 31, 2013:

	Notes	Number of Shares	Issue Price \$	Common Shares \$
Balance - March 31, 2011		81,585,172		35,221,306
Agent warrants exercised		403,529	0.25	100,882
Fair value of agent warrants exercised		-	-	28,247
Warrants exercised		1,931,666	0.25	482,916
Private placement of flow through units		3,030,303	0.33	1,000,000
Liability to renounce exploration expenditures		-	-	(303,030)
Watershed finder fees	9	239,283	0.21	50,250
Shares issued for exploration and evaluation assets	9	1,500,000	0.29	435,000
Less share issue costs		-	-	(114,924)
Balance - March 31, 2012		88,689,953		36,900,647
Private placement		5,315,000	0.25	1,328,750
Private placement of flow-through shares		2,853,333	0.30	856,000
Fair value of broker warrants		-	-	(36,100)
Private placement of flow-through shares		6,013,500	0.33	1,984,455
Shares issued for exploration and evaluation assets	9	439,287	0.25	109,822
Shares issued for exploration and evaluation assets	9	1,500,000	0.34	510,000
Liability to renounce exploration expenditures		-	-	(323,072)
Less share issue costs		-	-	(244,043)
Balance - March 31, 2013		104,811,073		41,086,459

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

14. Share Capital and Reserves (continued)

Reserves

Reserves comprise the fair value of stock option grants and warrants prior to exercise. The following is a summary of changes in reserves from March 31, 2011 to March 31, 2013:

	\$
Balance, March 31, 2011	3,359,668
Fair value of agent warrants exercised	(28,247)
Fair value of broker warrants	30,120
Share-based compensation	316,000
Balance, March 31, 2012	3,677,541
Fair value of broker warrants	36,100
Share-based compensation	728,000
Balance, March 31, 2013	4,441,641

Warrants

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

	March 31, 2013		March 31, 2012	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of year	212,121	\$0.40	4,034,018	\$0.25
Granted	7,520,716	0.38	212,121	0.40
Exercised	-	-	(2,335,195)	0.25
Forfeited	(212,121)	0.40	(1,698,823)	0.25
Balance, end of year	7,520,716	\$0.38	212,121	\$0.40

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Financing Warrants	Broker Warrants
July 12, 2013	\$ 0.35	2,657,500	429,800
July 12, 2013	\$ 0.40	1,426,666	-
November 9, 2014	\$ 0.40	3,006,750	-
		7,090,916	429,800

Nature and Purpose of Reserves and Deficit

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

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

15. Share-Based Compensation

The Company has a rolling stock option plan that allows the Company's board of directors to issue options to purchase up to 10% of the common shares outstanding at the grant date. Directors, officers, consultants and employees of the Company are eligible to receive stock options, subject to the policies of the Exchange. The directors may set option terms, but options granted under the plan typically have a life of five years and vest over an 18-month period. Share-based payments expense is amortized over the vesting period. The Company's shareholders confirmed the option plan in October 2012.

In June 2012, the Company issued 3,350,000 options exercisable at \$0.35 per share and then cancelled options to purchase 1,400,000 common shares, of which 600,000 options were exercisable at \$0.75 per share and 800,000 options were exercisable at \$1.35 per share.

In September 2012 the Company issued options to purchase 500,000 common shares at \$0.40 for a period of one year to an investor relations provider and options to purchase 100,000 common shares at \$0.40 per share for a period of five years to a consultant.

	March 31, 2013		March 31, 2012	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of year	6,225,000	\$0.53	6,910,000	\$0.56
Granted	3,950,000	0.36	400,000	0.50
Expired	(600,000)	0.65	-	-
Forfeited	(1,400,000)	1.09	(1,085,000)	0.71
Balance, end of year	8,175,000	\$0.34	6,225,000	\$0.53

Summary of outstanding options at March 31, 2013:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
\$0.30-\$0.35	7,050,000	\$0.32	3.53 years	5,375,000	\$0.32
\$0.40-\$0.50	1,000,000	0.44	2.10 years	600,000	0.45
\$0.75	125,000	0.75	0.22 years	125,000	0.75
	8,175,000	\$0.34	3.30 years	6,100,000	\$0.34

The Company incurred a charge of \$728,000 (2012 - \$316,000) for share-based payments for the year ended March 31, 2013.

The weighted average grant date fair value was \$0.23.

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

15. Share-Based Payments (continued)

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

For the year ended March 31,	2013	2012
Dividend yield	0%	0%
Risk-free interest rate	1.3%	1.6%
Estimated volatility	122%	146%
Expected life in years	5	5

16. Related Party Transactions and Balances

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

For the year ended March 31,	2013	2012
	\$	\$
Salary	177,000	157,000
Director fees	74,000	70,000
Short-term benefits	9,747	15,162
Management fees - expensed	40,920	72,770
Technical fees - capitalized	17,500	18,000
Share-based payments	431,000	84,000
Total	750,167	416,932

Included in the above is compensation paid through companies:

Lithosphere Services Inc.	25,000	38,000
S2 Management Inc.	28,420	27,770

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

Balances included in accounts payable and accrued liabilities are as follows:

At March 31,	2013	2012
	\$	\$
Lithosphere Services Inc.	25,000	23,520
S2 Management Inc.	28,420	1,254
	53,420	24,774

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

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

20. Segmented Information

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

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 has an obligation to spend the proceeds of flow-through share offerings on mineral exploration in Ontario within a limited time. At March 31, 2013, approximately \$133,000 of the Company's cash on hand was available to fund non-exploration activities.

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

There were no changes to the Company's approach to capital management during the year ended March 31, 2013.

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, 2013, 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 and equivalents and amounts receivable.

Sanatana Resources Inc.

Notes to the Financial Statements

For the year ended March 31, 2013

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 ensures that there is sufficient 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.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets:				
Cash and cash equivalents	791,267	-	-	791,267
	791,267	-	-	791,267
Liabilities:				
Payables and accruals	278,241	-	-	278,241
	278,241	-	-	278,241
