

SANATANA RESOURCES INC.

Condensed Interim Financial Statements

Third Quarter Ended December 31, 2014

Expressed in Canadian Dollars

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

The accompanying unaudited condensed interim financial statements of Sanatana Resources Inc. for the nine months ended December 31, 2014 have been prepared by the management of the Company and approved by the Company's audit committee.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of the condensed interim financial statements by an entity's auditor.

Sanatana Resources Inc.

Condensed Interim Statements of Financial Position

	Notes	December 31, 2014	March 31, 2014
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	253,551	284,063
Receivables	5	31,090	16,184
Prepaid expenses		6,777	24,274
Total current assets		291,418	324,521
Non-current assets			
Prepaid exploration and evaluation advance		11,673	-
Reimbursable bonds and deposits	6	-	193,052
Exploration and evaluation assets	7	4,454,504	4,102,952
Property and equipment	8	179,047	151,960
Total non-current assets		4,645,224	4,447,964
Total assets		4,936,642	4,772,485
LIABILITIES			
Current liabilities			
Payables and accruals	9	871,141	467,129
Provisions	10	169,000	300,000
Liability to renounce exploration expenditures		34,074	50,708
Total liabilities		1,074,215	817,837
EQUITY			
Share capital	11	42,776,892	42,076,104
Reserves	11	4,704,571	4,673,571
Deficit		(43,619,036)	(42,795,027)
Total equity		3,862,427	3,954,648
Total equity and liabilities		4,936,642	4,772,485

These financial statements are authorized for issue by the audit committee on February 25, 2015. They are signed on the Company's behalf by:

"Peter Miles", Director

Peter Miles

"Barry Fraser", Director

Barry Fraser

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

Sanatana Resources Inc.

Condensed Interim Statements of Comprehensive Loss

	Notes	Three months ended December 31,		Nine months ended December 31,	
		2014	2013	2014	2013
		\$	\$	\$	\$
Expenses					
Depreciation	8	2,697	2,253	7,117	6,762
Director fees	13	34,000	12,500	99,500	37,500
Filing fees		799	442	11,421	6,760
Investor relations		7,649	11,773	34,196	16,577
Management fees and salaries	13	71,626	70,331	216,698	227,570
Office and administration		13,375	16,676	46,605	34,078
Professional fees		180,711	100,032	371,621	542,811
Rent		16,753	25,928	46,996	78,710
Share-based payments	12	(7,000)	28,000	31,000	116,000
Transfer agent fees		8,253	14,002	11,148	22,657
Travel and accomodation		9,112	13,142	23,837	21,366
Loss before other income/expenses		(337,975)	(295,079)	(900,139)	(1,110,791)
Exploration and evaluation assets impairment		-	(6,070,536)	-	(6,070,536)
Interest and other income		36	99	9,496	504
Loss before income taxes		(337,939)	(6,365,516)	(890,643)	(7,180,823)
Deferred income tax recovery		18,468	-	66,634	43,554
Loss and total comprehensive loss for the period		(319,471)	(6,365,516)	(824,009)	(7,137,269)
Loss per share - basic and diluted	14	(0.00)	(0.05)	(0.01)	(0.06)
Weighted average common shares outstanding - basic and diluted	14	127,733,899	116,022,486	123,744,846	110,277,300

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

Sanatana Resources Inc.

Condensed Interim Statements of Changes in Equity

	Common Shares \$	Reserves \$	Deficit \$	Equity \$
Balance - March 31, 2013	41,086,459	4,441,641	(35,274,110)	10,253,990
Private placements	853,000	-	-	853,000
Private placement of flow-through shares	275,000	-	-	275,000
Share issuance costs	(58,772)	-	-	(58,772)
Fair value of broker warrants	(6,930)	6,930	-	-
Liability to renounce exploration expenditures	(68,800)	-	-	(68,800)
Share-based compensation	-	116,000	-	116,000
Loss for the period	-	-	(7,137,269)	(7,137,269)
Balance - December 31, 2013	42,079,957	4,564,571	(42,411,379)	4,233,149

	Common Shares \$	Reserves \$	Deficit \$	Equity \$
Balance - March 31, 2014	42,076,104	4,673,571	(42,795,027)	3,954,648
Private placements	575,000	-	-	575,000
Share issuance costs	(8,712)	-	-	(8,712)
Warrant exercise	184,500	-	-	184,500
Liability to renounce exploration expenditures	(50,000)	-	-	(50,000)
Share-based compensation	-	31,000	-	31,000
Loss for the period	-	-	(824,009)	(824,009)
Balance - December 31, 2014	42,776,892	4,704,571	(43,619,036)	3,862,427

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

Sanatana Resources Inc.

Condensed Interim Statements of Cash Flows

For the nine months ended December 31,	Notes	2014	2013
		\$	\$
Cash provided by (used in):			
Operating activities:			
Loss before income taxes		(890,643)	(7,180,823)
Adjustments for:			
Depreciation of property and equipment	8	7,117	6,762
Interest income		(9,496)	(504)
Bond recovery		(9,322)	-
Share-based compensation	12	31,000	116,000
Exploration and evaluation assets impairment	7	-	6,070,536
Changes in non-cash working capital items:			
Receivables		(14,906)	97,696
Prepaid expenses		17,497	17,893
Payables and accruals		404,012	330,208
Provisions		(131,000)	-
		(595,741)	(542,232)
Investing activities:			
Prepaid exploration and evaluation advance		(11,673)	1,632
Reimbursable bonds and deposits	6	202,374	76,599
Exploration and evaluation assets	7	(351,552)	(919,420)
Property and equipment purchases	8	(34,204)	-
Interest received		9,496	504
		(185,559)	(840,685)
Financing activities			
Issuance of common shares, net of costs	11	750,788	1,069,228
		750,788	1,069,228
Decrease in cash and cash equivalents		(30,512)	(313,689)
Cash and cash equivalents, beginning of period		284,063	791,267
Cash and cash equivalents, end of period		253,551	477,578
Cash and equivalents comprise:			
Cash		187,254	278,905
Equivalents		66,297	198,673
		253,551	477,578

Supplementary cash flow information (note 15)

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

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

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 interests in certain Ontario gold exploration claims and Saskatchewan diamond exploration claims.

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 \$824,009 during the nine months ended December 31, 2014 and, as of that date the Company's deficit was \$43,619,036. 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 \$253,551 at December 31, 2014 (March 31, 2014 - \$284,063).

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 908 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2. These financial statements are authorized for issue by the audit committee on February 25, 2015.

2. Basis of Presentation

Statement of Compliance

These condensed interim financial statements of the Company for the nine months ending December 31, 2014 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), on a basis consistent with the significant accounting policies disclosed in note 3 of the most recent annual financial statements as at and for the year ended March 31, 2014 as filed on SEDAR at www.sedar.com. The condensed interim financial statements do not include all of the information required for full annual financial statements.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

2. Basis of Presentation (continued)

Basis of Measurement

The financial statements have been prepared on a historical cost basis.

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

Critical accounting estimates and assumptions

The Company 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.

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.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

2. Basis of Presentation (continued)

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 12.

3. Changes in Accounting Policies

IASB or the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for accounting years beginning on or after April 1, 2015. None of these are expected to be relevant to the Company's financial statements, except for the following:

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 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

3. Changes in Accounting Policies (continued)

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

There are no other IFRSs or IFRIC interpretations that have been announced but are not yet effective that could have a material impact on the Company.

4. Cash and Cash Equivalents

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

5. Receivables

	December 31, 2014	March 31, 2014
	\$	\$
Related parties	-	7,518
GST - value added tax	31,090	8,666
	31,090	16,184

6. Reimbursable Bonds and Deposits

	\$
Balance March 31, 2013	269,651
Bond redemptions	(76,599)
Balance March 31, 2014	193,052
Bond redemptions	(193,052)
Balance December 31, 2014	-

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

7. Exploration and Evaluation Assets

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

	March 31, 2013	Costs Incurred	Impairment	March 31, 2014	Costs Incurred	December 31, 2014
	\$	\$	\$	\$	\$	\$
Watershed Project						
Watershed Property	9,339,616	814,146	(6,066,000)	4,087,762	239,197	4,326,959
Cryderman Property	-	4,536	(4,536)	-	-	-
Green Lake Project	-	15,190	-	15,190	112,355	127,545
	9,339,616	833,872	(6,070,536)	4,102,952	351,552	4,454,504

Watershed Property

	March 31, 2013	Costs Incurred	Impairment	March 31, 2014	Costs Incurred	December 31, 2014
	\$	\$	\$	\$	\$	\$
Acquisition costs	1,955,072	143,317	-	2,098,389	-	2,098,389
Contractor and consultant	4,999,614	271,072	-	5,270,686	96,351	5,367,037
Helicopter and fixed wing aircraft costs	13,007	-	-	13,007	-	13,007
Expediting	5,216	-	-	5,216	-	5,216
Project management fees	332,405	159,000	-	491,405	84,750	576,155
Field and camp	229,787	62,449	-	292,236	11,083	303,319
Sampling and assays	1,146,400	67,278	-	1,213,678	-	1,213,678
Transport and accomodation	558,503	83,260	-	641,763	23,632	665,395
Reclamation provision	30,000	-	-	30,000	-	30,000
Permitting and other	69,612	27,770	-	97,382	23,381	120,763
Impairment	-	-	(6,066,000)	(6,066,000)	-	(6,066,000)
Watershed property	9,339,616	814,146	(6,066,000)	4,087,762	239,197	4,326,959

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. ("Trelawney") 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"), 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 prior 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 \$4,616,000 in exploration and related expenditures that will be credited to the Company's contribution to the first work program after formation of a joint venture together with permitted administrative markup on these amounts.

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 Condensed Interim Financial Statements

For the nine months ended December 31, 2014

7. 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, 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 and settled through the issuance of 678,570 common shares with a value for accounting purposes of \$160,072.

The Company assesses its exploration and evaluation assets for impairment at the end of every fiscal quarter. At December 31, 2013, the Company recorded an impairment provision of \$6,066,000 against the Watershed Project. In determining the need for an impairment provision, the Company concluded that the carrying amount of the Watershed Project was unlikely to be recovered in full from successful development or by sale. It based this conclusion on the prevailing price of gold, difficulty in raising project development funds and the likelihood of concluding a satisfactory arrangement with IAMGOLD Corporation and its affiliates. The amount of the impairment provision was determined by reference to the Company's market capitalization at December 31, 2013.

Rights Acquired

Trelawney, an affiliate of TAAC, previously acquired a 20% undivided interest in certain unpatented mining claims (the "Clam Lake Property") situated in the Yeo and Chester townships that are within the area of interest under the Company's option and joint venture agreement with TAAC. Concurrently, TAAC took an assignment of Crown Gold Corporation's ("Crown Gold") rights under an amendment and assignment of mining claim acquisition agreement (the "Acquisition Agreement").

In July 2013, Sanatana elected to (1) have the interest in the Clam Lake Property be included and form part of the Watershed Property for the benefit of Sanatana and TAAC and (2) acquire the rights under the Acquisition Agreement. The acquisition costs for the interest in the Clam Lake Property and the assignment of the Acquisition Agreement totalled \$143,317 and the Company has reimbursed TAAC for this amount.

Under the terms of the underlying Acquisition Agreement, the Clam Lake Property are subject to the following terms:

- The 20% undivided legal and beneficial interest in the Clam Lake Property is identified as a "carried interest" under the Acquisition Agreement and is defined to mean that, until completion of a positive pre-feasibility study, all costs and expenses of the exploration programs, preparation and filing of assessment reports and other obligations relating to the Mining Claims are the sole obligation of Trelawney and Sanatana will not have any obligation in that regard.
- Upon completion and delivery of a positive pre-feasibly study to Sanatana and TAAC, Trelawney, TAAC and Sanatana will enter into a joint venture agreement for the further exploration and development of the Clam Lake Property on terms to be negotiated in good faith between the parties.
- If Sanatana's and TAAC's interest in the Clam Lake Property is diluted to an amount less than 10% then such interest which is less than 10% will be converted into a 2% net smelter returns royalty.
- So long as Sanatana and TAAC have any interest in the Clam Lake Property, Trelawney is required to deliver to Sanatana no less than quarter-yearly, complete copies of all reports, files, maps, core, samples, data and other information regarding the Clam Lake Property.
- The Clam Lake Property are subject to 2% net smelter return royalty, which can be reduced to 1% by paying the royalty holders \$1,000,000 at any time.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

7. Exploration and Evaluation Assets (continued)

Green Lake Project

In February 2014, the Company acquired a 100% interest in four mineral claims covering a combined area of approximately 6,000 hectares near Green Lake, Saskatchewan. In December 2014, the Company purchased additional mineral tenure bringing its land position to 85,000 hectares. The Company plans to undertake diamondiferous kimberlite exploration on these properties.

	March 31, 2013	Change	March 31, 2014	Change	December 31, 2014
	\$	\$	\$	\$	\$
Acquisition costs	-	3,531	3,531	48,061	51,592
Sampling and assays	-	146	146	-	146
Contractor and consultant	-	1,480	1,480	8,249	9,729
Project management fees	-	6,500	6,500	34,250	40,750
Field and camp	-	127	127	10,500	10,627
Transport and accomodation	-	3,406	3,406	11,295	14,701
Green Lake Project	-	15,190	15,190	112,355	127,545

8. Property and Equipment

	Office Furniture	Computer Equipment	Leasehold Improvements	Exploration Equipment	Trucks	Total
	\$	\$	\$	\$	\$	\$
Cost						
At March 31, 2013 and 2014	34,703	29,491	41,357	363,497	-	469,048
Additions	-	-	-	-	34,204	34,204
At December 31, 2014	34,703	29,491	41,357	363,497	34,204	503,252
Accumulated Depreciation						
At March 31, 2013	34,703	27,841	41,357	204,172	-	308,073
Charge for the period	-	1,011	-	8,004	-	9,015
At March 31, 2014	34,703	28,852	41,357	212,176	-	317,088
Charge for the period	-	544	-	6,003	570	7,117
At December 31, 2014	34,703	29,396	41,357	218,179	570	324,205
Net book value						
At March 31, 2013	-	1,650	-	159,325	-	160,975
At March 31, 2014	-	639	-	151,321	-	151,960
At December 31, 2014	-	95	-	145,318	33,634	179,047

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

9. Payables and Accruals

	December 31, 2014	March 31, 2014
	\$	\$
Trade	673,235	340,711
Exploration expenditures	10,608	19,295
Due to related parties	187,298	107,123
	871,141	467,129

10. Provisions

Provisions comprise the estimated cost to undertake reclamation work at the Company's exploration properties and the value of professional fees potentially payable under a success-fee arrangement.

	December 31, 2014	March 31, 2014
	\$	\$
Mackenzie Diamond Project	100,000	100,000
Watershed Property	30,000	30,000
Professional fees	39,000	170,000
	169,000	300,000

The Company expects to complete the reclamation work within the next 12 months and accordingly has not applied any discount to reflect the time value of money.

11. Share Capital and Reserves

Authorized share capital

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

Common Shares

Fiscal 2015

In October 2014, the Company closed a non-brokered private placement of units for gross proceeds of \$300,000 representing 2,500,000 units at a price of \$0.12 per unit. Each unit consisted of one flow-through common share and one-half of one share purchase warrant. One whole warrant entitles the holder to purchase a common share at a price of \$0.15 until October 1, 2016. All securities issued under the offering were subject to a statutory hold period that ended on February 2, 2015.

In September 2014, the Company closed a non-brokered private placement of 2,750,000 units at \$0.10 per unit for gross proceeds of \$275,000. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.12 per share on or before September 17, 2015. All securities issued in connection with the offering are subject to a statutory hold period expiring on January 18, 2015.

Concurrent with the closing of this offering, the Company cancelled 2,750,000 warrants issued on December 20, 2013. The cancelled warrants were exercisable until December 20, 2015 for the purchase of 2,750,000 shares at an exercise price of \$0.10 per share.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

11. Share Capital and Reserves (continued)

In the nine-month period ended December 31, 2014, 1,537,500 warrants were exercised for gross proceeds of \$184,500.

Fiscal 2014

In December 2013, the Company closed a non-brokered private placement of 5,500,000 flow-through units at a price of \$0.05 per unit for gross proceeds of \$275,000. Each flow-through unit consisted of one flow-through common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional non-flow-through common share at a price of \$0.10 until December 20, 2015. The Company paid an aggregate cash commission of \$22,000 representing 8% of the gross proceeds from the sale of units to purchasers. All securities issued under the offering were subject to a statutory hold period that ended on April 21, 2014.

On closing the December 2013 flow-through financing, the Company recognized a \$68,800 liability representing its obligation to renounce flow-through expenditures to investors.

In October 2013, the Company closed a non-brokered private placement of units for gross proceeds of \$50,000 representing 625,000 units at a price of \$0.08 per unit. Each unit consisted of one common share and one warrant to purchase a common share at a price of \$0.12 until October 16, 2015. All securities issued under the offering were subject to a statutory hold period that ended on February 17, 2014.

In August 2013, the Company closed a non-brokered private placement of units for gross proceeds of \$803,000, representing 10,037,500 units at a price of \$0.08 per unit. Each unit consists of one common share and one warrant to purchase a common share at a price of \$0.12 until August 14, 2015. In connection with the offering, the Company paid a cash commission of \$19,800, being 6% of the aggregate proceeds from the sale of units to purchasers introduced by a finder. The Company also issued warrants with the same terms as the financing warrants to acquire up to 330,000 shares, being 8% of the number of units sold under the offering to purchasers introduced by a finder. All securities issued under the Offering were subject to a statutory hold period that ended on December 15, 2013. The finder's warrants have a fair value of \$6,930, which was determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.22%
Estimated volatility	82%
Expected life	2 years

The Company renounced the \$275,000 to investors in February 2014, and has incurred sufficient exploration expenditures to satisfy its flow-through expenditure obligation.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

11. Share Capital and Reserves (continued)

The following is a summary of changes in common share capital from March 31, 2013 to December 31, 2014:

	Notes	Number of Shares	Issue Price \$	Common Shares \$
Balance - March 31, 2013		104,811,073		41,086,459
Private placements		10,662,500	0.08	853,000
Private placement of flow-through shares		5,500,000	0.05	275,000
Fair value of broker warrants		-	-	(6,930)
Liability to renounce exploration expenditures		-	-	(68,800)
Less share issue costs		-	-	(62,625)
Balance - March 31, 2014		120,973,573		42,076,104
Private placement		2,750,000	0.10	275,000
Private placement of flow-through shares		2,500,000	0.12	300,000
Exercise of warrants		1,537,500	0.12	184,500
Liability to renounce exploration expenditures		-	-	(50,000)
Less share issue costs		-	-	(8,712)
Balance - December 31, 2014		127,761,073		42,776,892

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, 2013 to December 31, 2014:

	\$
Balance, March 31, 2013	4,441,641
Fair value of broker warrants	6,930
Share-based compensation	225,000
Balance March 31, 2014	4,673,571
Share-based compensation	31,000
Balance December 31, 2014	4,704,571

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

11. Share Capital and Reserves (continued)

Warrants

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

	December 31, 2014		March 31, 2014	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of period	16,749,250	\$0.17	7,520,716	\$0.38
Granted	4,000,000	0.13	13,742,500	0.12
Exercised	(1,537,500)	0.12	-	-
Cancelled	(5,756,750)	0.26	-	-
Forfeited	-	-	(4,513,966)	0.37
Balance, end of period	13,455,000	0.13	16,749,250	\$0.17

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Financing Warrants	Broker Warrants
August 14, 2015	\$ 0.12	8,500,000	330,000
October 16, 2015	\$ 0.12	625,000	-
September 17, 2015	\$ 0.12	2,750,000	
October 1, 2016	\$ 0.15	1,250,000	
		13,125,000	330,000

Nature and Purpose of Reserves and Deficit

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

12. 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 Exchange. The directors may set option terms, but options granted under the plan typically have a life of five years and vest over an 18-month period. Share-based payments expense is amortized over the vesting period. The Company's shareholders reconfirmed the option plan in December 2014.

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.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

12. Share-Based Payments (continued)

In February 2014, the Company awarded options to purchase up to 3,000,000 common shares at a price of \$0.10 per share to directors, officers, employees and contractors of the Company.

In March 2014, the Company awarded options to purchase up to 1,500,000 common shares of the Company at a price of \$0.10 per share to the Company's board chairman. The Company committed to grant options to purchase a further 500,000 common shares, see note 16.

	December 31, 2014		March 31, 2014	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of period	12,050,000	\$0.25	8,175,000	\$0.34
Granted	-	-	4,500,000	0.10
Expired	-	-	(625,000)	0.47
Balance, end of period	12,050,000	\$0.25	12,050,000	\$0.25

Summary of outstanding options at December 31, 2014:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
\$0.10	4,500,000	\$0.10	3.59 years	2,250,000	\$0.10
\$0.30-\$0.35	7,050,000	0.32	1.62 years	7,050,000	0.32
\$0.40-\$0.50	500,000	0.48	1.99 years	500,000	0.48
	12,050,000	\$0.25	2.37 years	9,800,000	\$0.28

The Company incurred a charge of \$31,000 (2013 - \$116,000) for share-based payments for the nine months ended December 31, 2014.

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

For the nine months ended December 31,	2014	2013
Dividend yield	0%	0%
Risk-free interest rate	1.5%	1.2%
Estimated volatility	105%	130%
Expected life in years	4.1	5

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

13. Related Party Transactions and Balances

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

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Key management personnel compensation				
Salary	45,000	45,000	135,000	135,000
Director fees	34,000	12,500	99,500	37,500
Short-term benefits	1,090	1,082	3,275	3,245
Management fees - expensed	4,930	4,460	16,760	33,240
Technical fees - capitalized	-	-	11,000	8,000
Share-based payments	5,000	19,000	24,000	90,000
Total	90,020	82,042	289,535	306,985

Included in the above is compensation paid through companies:

Lithosphere Services Inc.	-	-	11,000	16,000
S2 Management Inc.	4,930	4,460	16,760	25,240

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 due to related parties are included in accounts payable and accrued liabilities are as follows:

	December 31, 2014	March 31, 2014
	\$	\$
Directors and insiders	182,899	106,000
Lithosphere Services Inc.	-	-
S2 Management Inc.	4,400	1,123
Total	187,299	107,123

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

14. Loss per Share

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

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
	\$	\$	\$	\$
Loss for the period	(319,471)	(6,365,516)	(824,009)	(7,137,269)
Weighted average number of common shares outstanding	127,733,899	116,022,486	123,744,846	110,277,300
	(0.00)	(0.05)	(0.01)	(0.06)

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

14. Loss per Share (continued)

Diluted loss per share for nine months ended December 31, 2014 and 2013 is the same as basic loss per share as the impact of the exercise of the share options and warrants is anti-dilutive.

15. Supplemental Cash Flow Information

Non-cash financing and investing activities included the following:

For the nine months ended December 31,	2014	2013
	\$	\$
Non-cash investing activities:		
Accounts payable included in exploration and evaluation assets	10,608	10,291
Non-cash financing activities:		
Tax value of assets forfeited to flow-through share investors	-	68,800
Liability to renounce exploration expenditures	16,634	6,930

16. Commitments and Contingent Liabilities

- a) The Company is contractually committed to make payments regarding premises lease, truck and employment as follows:

Period ending March 31, 2015	\$	83,679
Period ending March 31, 2016		96,000
	\$	<u>179,679</u>

- b) In the event of a change of control of the Company, the Company may be required to pay up to \$1,456,000 to directors, officers, employees and a contractor.
- c) The Company's Watershed Property is subject to a dispute with Trelawney. In the event that the Company reaches a settlement with Trelawney, IAMGOLD Corporation, or any of their affiliates regarding the Company's interests in the vicinity of the Côté gold deposit, the Company will pay a bonus to Barry Fraser, its board chairman. The bonus amount shall be determined as (a) 5% of the amount of any settlement or transaction up to \$10,000,000; and (b) 2.5% of the balance of such amount.
- d) Sanatana has committed to award options to purchase 500,000 common shares to its board chairman when there is sufficient grant headroom to do so. The Company's option plan provides that the number of options outstanding cannot exceed 10% of the issued and outstanding common shares. At December 31, 2014, the Company had the capacity to award the options but had not yet done so. The options will be awarded at an exercise price no less than the grant date-prevailing market price of the Company's shares; the grant is subject to the rules of the TSX Venture Exchange.
- e) The Company has agreed to pay certain professional fees on a success basis that could result in a payment of 1% of the value of a sale transaction involving the Company if certain conditions are met.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended December 31, 2014

16. Commitments and Contingent Liabilities (continued)

- f) During the quarter ended December 31, 2014, the Company satisfied its exploration expenditure obligation under the conditions of its December 2013 flow-through financing. During the period, the Company undertook a new flow-through financing (note 11) and at December 31, 2014 was obliged, under the terms of the financing and related tax law, expend \$204,000 on mineral exploration before December 31, 2015.

17. Segmented Information

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