

SANATANA RESOURCES INC.

Condensed Interim Financial Statements

First Quarter Ended June 30, 2017

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 three months ended June 30, 2017 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	June 30, 2017	March 31, 2017
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	3	785,655	1,169,614
Receivables	4	4,476	6,167
Prepaid expenses		26,919	28,527
Total current assets		817,050	1,204,308
Non-current assets			
Exploration and evaluation assets	5	275,346	-
Equipment	6	17,367	19,176
Total non-current assets		292,713	19,176
Total assets		1,109,763	1,223,484
LIABILITIES			
Current liabilities			
Payables and accruals	7	207,701	323,895
Total liabilities		207,701	323,895
EQUITY			
Share capital	8	43,548,571	43,428,571
Reserves	8	4,930,299	4,930,299
Deficit		(47,576,808)	(47,459,281)
Total equity		902,062	899,589
Total equity and liabilities		1,109,763	1,223,484

Signed on the Company's behalf by:

"Peter Miles", Director

Peter Miles

"Darcy Will", Director

Darcy Will

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

Sanatana Resources Inc.

Condensed Interim Statements of Comprehensive Loss

For the three months ended June 30,	Notes	2017	2016
		\$	\$
Expenses			
Depreciation	6	1,809	1,710
Exploration expenses		27,374	-
Filing fees		3,563	904
Investor relations		3,316	565
Management fees and salaries	10	53,332	69,425
Office and administration		11,803	7,616
Professional fees		4,293	-
Rent		11,492	9,966
Transfer agent fees		830	7,564
Travel and accommodation		312	6,245
Loss before other income/expenses		(118,124)	(103,995)
Other expense		-	(10,000)
Interest and other income		597	179
Loss and total comprehensive loss for the year		(117,527)	(113,816)
Loss per share - basic and diluted	11	(0.00)	(0.00)
Weighted average common shares outstanding - basic and diluted	11	135,941,372	120,773,834

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, 2016	42,707,020	4,735,771	(46,956,906)	485,885
Loss for the period	-	-	(113,816)	(113,816)
Balance - June 30, 2016	42,707,020	4,735,771	(47,070,722)	372,069

	Common Shares \$	Reserves \$	Deficit \$	Equity \$
Balance - March 31, 2017	43,428,571	4,930,299	(47,459,281)	899,589
Shares issued for Jackfish Property agreement	120,000	-	-	120,000
Loss for the period	-	-	(117,527)	(117,527)
Balance - June 30, 2017	43,548,571	4,930,299	(47,576,808)	902,062

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

Sanatana Resources Inc.

Condensed Interim Statements of Cash Flows

For the three months ended June 30,	Notes	2017	2016
		\$	\$
Cash provided by (used in):			
Operating activities:			
Loss before income taxes		(117,527)	(113,816)
Adjustments for:			
Depreciation of property and equipment	6	1,809	1,710
Interest income		(179)	-
Accrual of payment in shares		-	10,000
Changes in non-cash working capital items:			
Receivables		1,691	13,333
Prepaid expenses		1,608	2,371
Payables and accruals		(116,194)	(123,336)
		(228,792)	(209,738)
Investing activities:			
Exploration and evaluation assets	5	(155,346)	-
Interest received		179	-
		(155,167)	-
Decrease in cash and cash equivalents		(383,959)	(209,738)
Cash, beginning of period		1,169,614	1,160,283
Cash, end of period		785,655	950,545
Cash and equivalents comprise:			
Cash		385,655	950,545
Equivalents		400,000	-
		785,655	950,545

Supplementary cash flow information (note 12)

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 three months ended June 30, 2017

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 is evaluating mineral properties interests but has not yet identified a suitable target. The Company has not generated revenue from operations and has no immediate plans that could generate cash from operations. The Company incurred a loss of \$117,527 during the three months ended June 30, 2017 and, as of that date the Company's deficit was \$47,576,808. 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 \$785,655 at June 30, 2017 (March 31, 2017 - \$1,169,614).

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 were authorized for issue by the audit committee on August 25, 2017.

2. Basis of Presentation

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

Statement of Compliance

These condensed interim financial statements of the Company for the three months ended June 30, 2017 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, 2017 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.

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.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2017

2. Basis of Presentation (continued)

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:

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.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2017

2. Basis of Presentation (continued)

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 9.

Standards, Amendments and Interpretations Not Yet Effective

IASB or the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for accounting years beginning on or after April 1, 2017. None of these are expected to be relevant to the Company's financial statements, except for the following:

IFRS 9 Financial Instruments

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 will be effective for the fiscal year beginning April 1, 2018. The Company is evaluating the impact of the new standard.

IFRS 16 - Leases

IFRS 16 - Leases specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring that lessees recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and will be applicable to the Company's fiscal year beginning April 1, 2019, although early adoption is permitted. The Company has not yet assessed the impact of this standard or determined whether it will early adopt.

3. 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.

4. Receivables

	June 30, 2017	March 31, 2017
	\$	\$
GST - value added tax	4,476	6,167
	4,476	6,167

Sanatana Resources Inc.
Notes to the Condensed Interim Financial Statements
For the three months ended June 30, 2017

5. Exploration and Evaluation Assets

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

Jackfish Property

In June 2017, the TSX-V approved the Company's option to acquire a 100% interest in the Jackfish gold property in Ontario from three parties, Alto Ventures Ltd. ("Alto"), Rudy Wahl ("Wahl") and a group of prospectors referred to for convenience as "Richards et al". The option provides that the company pay \$375,000 over a two-year period (\$125,000 paid on closing), issue 10,500,000 common shares over a two year period (3,000,000 issued on closing) and reimburse exploration expenditures of \$20,000 on closing (paid). In addition, the Company must spend \$600,000 on exploration over 24 months (\$225,000 in the first 12 months) and pay cash of \$1,000,000 to Richards et al following receipt of a positive feasibility study

The Jackfish gold property is subject to royalties as follows:

- (a) Net smelter return ("NSR") royalties on metals of 2% to Wahl and Richards et al, and a gross overriding royalty on diamonds of 2% to Wahl, all of which have an option to reduce these royalties to 1% for cash payments of \$1,000,000 to each party.
- (b) NSR royalty on metals of 1% to Alto, for which a 2% NSR royalty already exists in a previous assignment agreement and which royalty has an option to be reduced to 1% for cash payment of \$1,000,000.
- (c) Additional NSR royalty to Alto of 0.33%, to Wahl of 0.33% and to Richards et al of 0.34% on any new property acquired within the area of interest contemplated in the option agreements.

The Company's accounting policy is to only capitalize exploration expenditures once it has secured legal ownership or option rights. The Jackfish option transaction was formally approved on June 21, 2017 but the Company incurred expenditures of \$55,403 on exploration and planning activities prior to that date. These costs were charged to operations, \$27,374 in the current fiscal year and \$28,029 in fiscal 2017. Capitalized expenditures during the three months ended June 30, 2017 were:

	March 31,		June 30,
	2017	Change	2017
	\$	\$	\$
Acquisition costs	-	265,000	265,000
Project management fees	-	7,500	7,500
Permitting and other	-	2,846	2,846
Jackfish Property	-	275,346	275,346

Sanatana Resources Inc.
Notes to the Condensed Interim Financial Statements
For the three months ended June 30, 2017

6. Equipment

	Office Furniture	Computer Equipment	Exploration Equipment	Trucks	Total
	\$	\$	\$	\$	\$
Cost					
At March 31, 2016	34,703	9,075	63,497	34,204	141,479
Additions	-	1,196	-	-	1,196
At March 31, 2017 and June 30, 2017	34,703	10,271	63,497	34,204	142,675
Accumulated Depreciation					
At March 31, 2016	34,703	9,075	63,497	9,120	116,395
Charge for the period	-	264	-	6,840	7,104
At March 31, 2017	34,703	9,339	63,497	15,960	123,499
Charge for the period	-	99	-	1,710	1,809
At June 30, 2017	34,703	9,438	63,497	17,670	125,308
Net book value					
At March 31, 2016	-	-	-	25,084	25,084
At March 31, 2017	-	932	-	18,244	19,176
At June 30, 2017	-	833	-	16,534	17,367

7. Payables and Accruals

	June 30, 2017	March 31, 2017
	\$	\$
Trade payables	201,527	289,910
Accrued liabilities	2,252	16,087
GST/HST payable	-	-
Due to related parties	3,922	17,898
	207,701	323,895

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2017

8. Share Capital and Reserves

Authorized share capital

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

Common Shares

Fiscal 2018

In June 2017, 3,000,000 common shares were issued at a deemed price of \$0.04 totalling \$120,000 in accordance with the Jackfish Property agreement (see note 5).

Fiscal 2017

In March 2017, the Company completed a non-brokered private placement of 10,870,000 flow-through units ("FT Units") at \$0.05 per FT Unit and 3,720,000 non-flow-through units ("Units") at \$0.05 per Unit for aggregate gross proceeds of \$729,500 plus \$194,528 related to certain suppliers, vendors and directors who settled amounts owed to them concurrent with the non-flow-through private placement.

Each FT Unit comprised one common share of the Company that is a "flow-through share" within the meaning of the Income Tax Act (Canada) and one whole warrant. Each Unit comprised one non-flow-through common share of the Company and one warrant. Each warrant entitles the holder to purchase one additional non-flow-through common share of the Company at a price of \$0.10 per common share for a period of 24 months from closing. Securities issued with the FT Units are subject to a hold period expiring July 22, 2017 and the securities issued with the Units are subject to a hold period expiring July 30, 2017.

The Company paid finders' fees of \$7,000, \$1,200 in cash and \$5,800 by issuing 116,000 non-flow-through common shares of the Company at a deemed price of \$0.05 per non-flow-through common share.

The following is a summary of changes in common share capital from March 31, 2016 to June 30, 2017:

	Number of Shares	Share Price \$	Common Shares \$
Balance - March 31, 2016	120,773,834		42,707,020
Private placements	3,720,000	0.05	186,000
Private placement of flow-through shares	10,870,000	0.05	543,500
Finder's fee issued as shares	116,000	0.05	5,800
Less share issue costs	-	-	(13,749)
Balance - March 31, 2017	135,479,834		43,428,571
Share issuance for Jackfish Property option	3,000,000	0.04	120,000
Balance - June 30, 2017	138,479,834		43,548,571

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2017

8. Share Capital and Reserves (continued)

Reserves

Reserves comprise the fair value of stock option grants, agent warrants prior to exercise and settlement of amounts with existing shareholders. The following is a summary of changes in reserves from March 31, 2016 to June 30, 2017:

	\$
Balance March 31, 2016	4,735,771
Units issued to existing shareholders on settlement of amounts owing	194,528
Balance March 31, 2017 and June 30, 2017	4,930,299

Warrants

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

	June 30, 2017		March 31, 2017	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of period	14,590,000	\$0.10	1,250,000	\$0.15
Granted	-	-	14,590,000	0.10
Expired	-	-	(1,250,000)	0.15
Balance, end of period	14,590,000	0.10	14,590,000	0.10

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Financing Warrants
March 21, 2019	\$ 0.10	10,870,000
March 29, 2019	\$ 0.10	3,720,000
		14,590,000

9. Share-Based Payments

The Company has a rolling stock option plan that allows the Company's board of directors to issue options to purchase up to 10% of the common shares outstanding at the grant date. Directors, officers, consultants and employees of the Company are eligible to receive stock options, subject to the policies of the TSX Venture 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 2016.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2017

9. Share-Based Payments (continued)

In fiscal 2015, the Company committed to grant options to purchase up to 500,000 common shares and accrued a value for those options of \$13,000. The director resigned before the options were rewarded and so the comparative period comprehensive loss includes a \$13,000 recovery of stock-based compensation in this regard.

	June 30, 2017		March 31, 2017	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of period	4,550,000	\$0.25	4,950,000	\$0.27
Forfeited or expired	(2,550,000)	0.35	(400,000)	0.50
Balance, end of period	2,000,000	\$0.12	4,550,000	\$0.25

Summary of outstanding options at June 30, 2017:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
\$0.10	1,900,000	\$0.10	1.63 years	1,900,000	\$0.10
\$0.40	100,000	0.40	0.24 years	100,000	0.40
	2,000,000	\$0.12	1.56 years	2,000,000	\$0.12

The Company incurred an expense of \$nil (March 31, 2017 – \$nil) for share-based payments for the three months ended June 30, 2017.

In the current fiscal period, there was no share-based compensation expense.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2017

10. Related Party Transactions and Balances

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

For the three months ended June 30,	2017	2016
	\$	\$
Salary	30,000	30,000
Director fees	-	-
Success fee paid to director	-	-
Short-term benefits	1,107	729
Management fees - expensed	3,120	5,890
Share-based payments	-	-
Total	34,227	36,619

Included in the above is compensation paid through companies:

S2 Management Inc.	3,120	5,890
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S2 Management Inc. is controlled by the Company's CFO.

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

	June 30, 2017	March 31, 2017
	\$	\$
Directors and officers	2,000	15,000
S2 Management Inc.	1,922	2,898
	3,922	17,898

During the year ended March 31, 2017, the Company issued 1,340,000 shares to key management for settlement of amounts owing.

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

11. Loss per Share

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

For the three months ending June 30,	2017	2016
Loss for the period	(\$117,527)	(\$113,816)
Weighted average number of common shares outstanding	135,941,372	120,773,834
Loss per share	(\$0.00)	(\$0.00)

Diluted loss per share for the three months ended June 30, 2017 and 2016 is the same as basic loss per share as the impact of the exercise of the share options and warrants is anti-dilutive.

Sanatana Resources Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended June 30, 2017

12. Supplemental Cash Flow Information

Non-cash financing and investing activities included the following:

For the three months ended June 30,	2017	2016
	\$	\$
Non-cash investing activities:		
Shares issued for exploration and evaluation assets	120,000	-

13. Commitments

- In the event of a change of control of the Company, the Company may be required to pay up to \$513,000 to directors, officers, employees and a contractor.
- In March 2017, the Company undertook a flow-through financing (note 12) and at March 31, 2017 was obliged, under the terms of the financing and related tax law, to expend \$505,996 on mineral exploration before December 31, 2018.
- The Company is contractually committed to make payments regarding premises lease as follows:

Period ending March 31, 2018	\$	42,976
Period ending March 31, 2019	\$	42,976
	\$	<u>85,952</u>

14. Segmented Information

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