

# **SANATANA RESOURCES INC.**

## **Management's Discussion and Analysis**

**June 30, 2012**



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RESOURCES Inc.**

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**Management's Discussion and Analysis**  
**Three Months Ended June 30, 2012**

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*This management's discussion and analysis ("MD&A") contains certain forward-looking statements that are prospective and reflect management's expectations regarding Sanatana Resources Inc.'s ("Sanatana" or the "Company") future growth, results of operations, performance and business prospects and opportunities. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included in this MD&A including without limitation, statements regarding potential mineralization and resources or reserves, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, exploration results and future plans and objectives of Sanatana are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Sanatana's expectations are disclosed in its documents filed from time to time with the TSX Venture Exchange (the "TSX-V") and other regulatory authorities and include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore to be mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors.*

*Shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Sanatana undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.*

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### Introduction

This MD&A has been prepared as of August 22, 2012 and should be read in conjunction with the Company's unaudited condensed interim financial statements for the period ended June 30, 2012 and the Company's audited financial statements for the year ended March 31, 2012. This MD&A is intended to provide the reader with a review of the Company's performance for the quarter ended June 30, 2012 and through to the date of this report, and the factors reasonably expected to impact future operations and results. This MD&A contains forward-looking statements that are subject to risk factors set out above.

The Company's financial statements are prepared in accordance with IFRS. The Company adopted IFRS on April 1, 2011 with a transition date of April 1, 2010. All financial statement amounts in this MD&A have been presented in accordance with IFRS and are in Canadian dollars unless otherwise noted.

### Incorporation and Listing Information

Sanatana was incorporated as Sanatana Diamonds Inc. under the British Columbia *Business Companies Act* on June 25, 2004. In November 2005, the Company became a reporting issuer in every province and territory of Canada, except Quebec. The Company's common shares commenced trading on the TSX-V in May 2006 as a mining exploration and development company under the symbol "STA". On April 28, 2011, the Company changed its name to Sanatana Resources Inc. to better reflect the broader nature of its mineral exploration activities.

### Operating Report

The Company is an exploration stage company and is engaged in the acquisition, exploration and development of exploration and evaluation assets. The Company's operations are focused on its option to acquire an interest in the Watershed property in Ontario. See *Exploration and Evaluation Assets* below.

Sanatana's exploration programs are carried out under the supervision of the Company's vice president of exploration, Buddy Doyle, and exploration manager, Troy Gill. Mr. Gill meets the qualified person requirements of National Instrument 43-101 ("NI 43-101"). Mr. Gill is responsible for the geoscientific and technical disclosure contained in this document.

### Corporate Developments

- In July 2012, the Company completed a private placement of both flow-through and non-flow-through units for aggregate proceeds of \$2,184,750 (see *Private Placements* below).
- In June 2012, the Company awarded options to purchase up to 3,350,000 common shares exercisable at \$0.35 and cancelled options to purchase up to 1,400,000 common shares at between \$0.75 and \$1.35. See *Share Option Plan* below.
- In June 2012, the Company reported results from the first five holes of its second drill program on the Watershed property. See *Watershed Property* below.
- In February, March and April 2012, the Company reported assay results from the first nine-hole drill program on the Watershed property.

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### Exploration and Evaluation Assets

#### *Watershed Property*

##### *Option and Joint Venture Agreement*

In February 2011, the Company entered into a definitive option and joint venture agreement with Augen Gold Corp. (subsequently renamed Trelawney Augen Acquisition Corp., and referred to as "TAAC"), which was acquired by Trelawney Mining and Exploration Inc. ("Trelawney") in November 2011. In June 2012, IAMGOLD Corporation ("Iamgold") then acquired Trelawney with the result that TAAC is now a wholly owned subsidiary of Iamgold.

The option and joint venture agreement grants the Company the option to acquire up to a 51% undivided interest in 46 mineral concessions (the "Claims") and the right of first refusal to acquire an additional nine mineral concessions (the "ROFR Claims"). The Company may earn a 50% undivided interest in the Claims (the "50% Interest") by completing the following:

Date	Cash Payment	Common Shares	Cumulative Expenditures
	\$		\$
By April 2, 2011	150,000 <sup>1</sup>	2,000,000 <sup>1</sup>	-
By March 23, 2012	-	1,500,000 <sup>1</sup>	1,000,000 <sup>2</sup>
By March 23, 2013	-	1,500,000	2,500,000 <sup>2</sup>
By March 23, 2014	-	-	5,000,000
	150,000	5,000,000	

Notes:

<sup>1</sup> Paid / issued.

<sup>2</sup> Cumulative expenditures to June 30, 2012, as defined in the option and joint venture agreement with TAAC, were \$4,195,000 and so the Company has fulfilled its March 23, 2013 obligation.

If the Company earns the 50% Interest, it will have the right to earn a further 1% interest (for a total interest of 51%) in the Claims by completing and 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.

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 any equity offerings by the Company on the same terms and conditions of such offering.

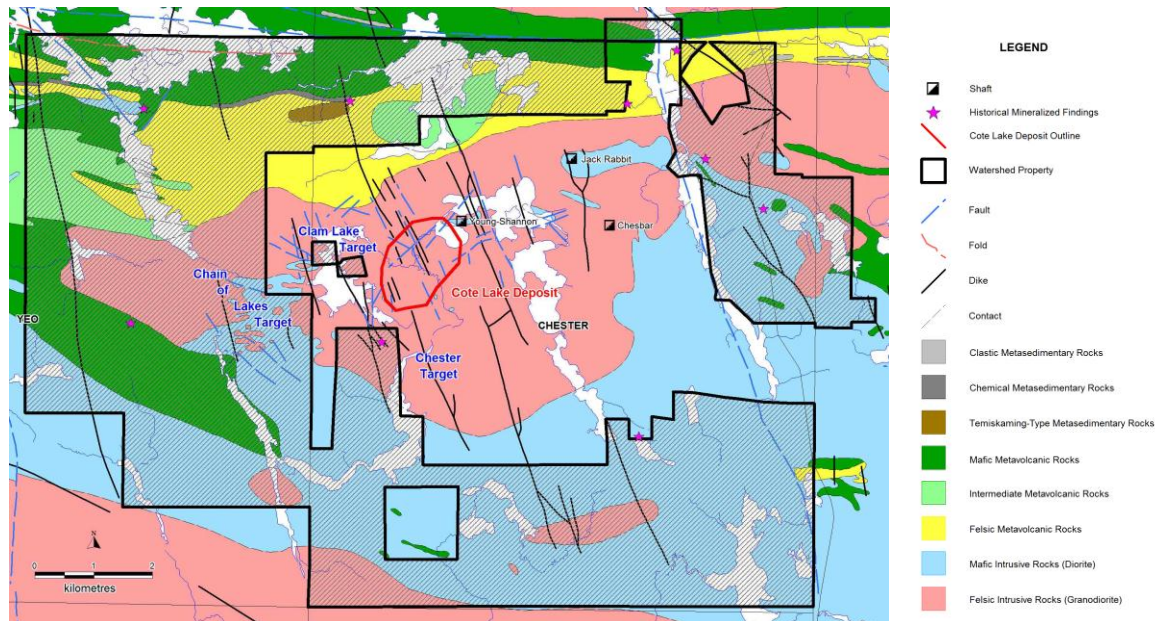
The Company agreed to pay a finder's fee in connection with the option and joint venture agreement. To date, the TSX-V has approved the issuance of up to 678,571 common shares and the Company has issued 239,283 common shares.

In March 2012, the Company satisfied the March 23, 2012 option requirement by (i) issuing 1,500,000 common shares of the Company to TAAC and (ii) completing at least \$1,000,000 in exploration expenditures on the Watershed property.

*Property Description*

The Watershed property consists of 46 mining claims covering 7,840 hectares and the nine ROFR Claims. The Watershed property is north of Sudbury, Ontario, and comprises the Schist Lake area located in the Yeo township and the Chester Gold area located in the Chester township. The Company believes that this area is prospective based on its review of historical data and the local geology. Other companies have found evidence of gold mineralization in the area.

*Figure 1: Watershed Property Claims*



The geology of the Watershed property is typical of the Swayze Greenstone Belt comprising a structurally complex mafic to felsic metavolcano-sedimentary supracrustal sequence of rocks intruded in places by diorite to granodiorite rocks of the Chester Granitoid Complex. There are ten historical high-grade gold mineralized showings highlighting the gold-bearing tenor of the property. Access to the property is via paved highway from Sudbury and Timmins, Ontario. A network of dirt roads crosses the property. The infrastructure in the area of the Watershed property, including access to power, water, accommodation and other services, is excellent.

*Exploration Activities*

*Before Sanatana's Involvement*

There was historic exploration on the Watershed property that included grab sampling, geophysical surveys, and diamond drilling. The geophysical surveys delineated several anomalies, the diamond drilling intersected zones of moderate mineralization and the grab sampling returned gold assays of up to 270 g/t Au.

In 2007, TAAC completed an airborne magnetic and electromagnetic ("EM") survey on its South Swayze property, which at the time included the Company's current Watershed property. The information was used to produce maps that display magnetic, conductive and radiometric properties of the underlying bedrock. The EM anomalies fell into four general categories: the first type consisted of discrete, well-defined anomalies, which are usually attributed to

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conductive sulphides or graphite, but could also represent near vertical faults or shears; the second type consisted of moderately broad responses that are flat dipping and may represent conductive rock units, zones of deep weathering or alteration zones; the third type of anomaly included anomalies associated with magnetite; and the fourth type of anomaly represented cultural anomalies. The EM survey identified more than 500 weak to strong bedrock conductors over the survey area.

In 2009, TAAC completed diamond drilling on the Chester Gold area and Schist Lake area. Drilling failed to identify significant gold mineralization underlying the historic gold occurrences in either of these areas.

### *Surveys and Trenching Completed by Sanatana*

The Company completed an airborne EM survey and received the final report and data in June 2011. Geotech Ltd. flew its proprietary ZTEM system covering the entire Watershed property at 200-metre line spacing for a total of 1,000 line-kilometres. ZTEM is a passive EM system that measures naturally induced variations in the vertical field of the audio frequency range. This system has the advantage over other EM methods in highlighting deep structural zones in poorly conductive rocks without being affected by highly conductive surficial materials (e.g. lake bottom sediments). The data was processed and inversion modelling completed by Geotech Ltd. In-house review by the Company revealed significant large-scale structural features of this part of the Swayze Greenstone Belt that will help the Company to understand mineralization processes of the property area. The data was incorporated into the project 3-D model by Caracle Creek International Consulting Inc. and used along with the TAAC airborne data to complete a bedrock structural interpretation over the property area. The report on the structural interpretation proposes five target areas that present structural settings with potential to host gold mineralization based on generally accepted gold mineralizing processes in this geological terrane.

The Company has completed an induced polarization ("IP") survey on key sections of the Watershed property in an attempt to locate extensions of the Cote Lake mineralization trend. The Company engaged Caracle Creek International Consulting Inc. to undertake the IP survey using the EarthProbe method. Cut lines were oriented north-south varying from one to four kilometres for a total of approximately 25 line-kilometres. Results show that an east-west trending IP anomaly extends on to the Company's mineral claim #3011820<sup>1</sup> east of the Clam Lake area as well as delineating new anomalous areas around the Chester showing to the south and other ground lying further to the west. Inversion modeling of the IP data at the Clam Lake area refined the drill target for the diamond-drilling program. The Company expects that inversion modelling will be completed over the other two areas soon ahead of target selection and future drill program proposals.

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<sup>1</sup> The Company's corporate presentation at [www.sanatanaresources.com](http://www.sanatanaresources.com) includes a map showing the location of individual claims.

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Sanatana completed a program of outcrop stripping and channel sampling of the exposed bedrock over selected IP anomalies at all three areas. At Clam Lake, the Company completed five trenches traversing two separate IP anomalies. Rock grab samples from the newly exposed bedrock returned elevated gold values of up to 3.09 g/t. Continuous channel sampling across the IP anomaly on three trenches spaced 50 metres returned elevated gold values of up to 6.18 g/t. Results greater than 1 g/t include:

Sample #	Trench	Length	Au
849816	2	101 cm	6.18 g/t
849949	1	113 cm	4.42 g/t
849609	1	24 cm	3.69 g/t
849660	5	65 cm	3.03 g/t
849637	5	65 cm	2.89 g/t
849947	1	99 cm	2.86 g/t
849808	2	66 cm	2.24 g/t
849862	2	100 cm	1.98 g/t
849671	5	80 cm	1.64 g/t
849911	1	95 cm	1.36 g/t
849553	2	106 cm	1.16 g/t
849896	1	102 cm	1.05 g/t
849617	5	105 cm	1.02 g/t

Channel cutting and sampling of the stripped outcrops at Chester and the western Chain of Lakes areas had to be postponed due to the onset of winter weather late in the 2011 season. The Company expects that some of this work will be revisited along with new field programs planned for later in 2012. Highlights from the grab and channel sampling results from these areas included:

Sample #	Trench	Length	Au
5279132	Line 2 "Adanac"	Grab	25.26 g/t
62550	Chester	77 cm	2.466 g/t
5279071	Line 2 "Parking Lot"	Grab	1.991 g/t
62546	Chester	69 cm	1.956 g/t
16104	Line 9	Grab	1.927 g/t
62599	Line 9	66 cm	1.871 g/t
62574	L 2 "Candy Cane"	29 cm	1.304 g/t
5279035A	Line 3	Grab	1.105 g/t

In addition, the Company has completed detailed geological mapping on the IP survey areas and the stripping completed there to provide geological control for the geophysics and the geochemical results from the grab and channel sampling. The maps compiled from this work are still being finalized, but the preliminary findings have assisted in refining the ongoing field programs.



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### *2011-2012 Nine-Hole Drill Program*

The Company completed a diamond drill program on the Watershed property mineral claim #3011820 in January 2012 comprising nine drill holes totalling 4,195 metres. Initially, a 2,500-metre five-drill hole program was planned to test subsurface IP anomalies and coincident gold values in surficial geochemical sampling of stripped bedrock outcrops. The Company was sufficiently encouraged from observations of the drill core early in the program to increase the amount of drilling to test more of the claim area. The details of collar locations can be seen in Table 1 below.

Hole SR-11-01 was designed to test the primary IP target on line 16 at the eastern edge of the claim boundary. Hole SR-11-02 was drilled from the same location as the first hole but at a steeper inclination to intersect the IP target at greater depth down-dip. Hole SR-11-03 was collared 50 metres to the west on line 15 to test the IP target along strike; however, a significant interval of diabase dyke was encountered at the expected target depth. Hole SR-11-04 was designed to test the primary IP target on line 14 in the central northern area of claim #3011820. Hole SR-11-05 was drilled on line 15 approximately 150 metres south along the line from Hole SR-11-03 (previously reported) to test the interpreted up-dip occurrence of mineralization observed towards the end of Hole SR-11-03 at greater depth.

Gold mineralized downhole intervals are provided in Tables 2 and 3 below using a 0.3 g/t Au lower cut-off.

**Table 1: Drill Hole Locations**

Hole	Line	East	North	Projection	Dip	Azimuth	Depth (m)
SR-11-01	L16	428,665mE	5,266,760mN	UTM Zone 17	-60°	160°	575
SR-11-02	L16	428,665mE	5,266,760mN	UTM Zone 17	-70°	160°	674
SR-11-03	L15	428,565mE	5,266,750mN	UTM Zone 17	-60°	160°	491
SR-11-04	L14	428,479mE	5,266,762mN	UTM Zone 17	-60°	160°	560
SR-11-05	L15	428,626mE	5,266,615mN	UTM Zone 17	-60°	160°	401
SR-12-01	L13	428,465mE	5,266,602mN	UTM Zone 17	-60°	180°	392
SR-12-02	L14	428,522mE	5,266,608mN	UTM Zone 17	-60°	160°	401
SR-12-03	L16	428,720mE	5,266,615mN	UTM Zone 17	-60°	160°	401
SR-12-04	L15	428,585mE	5,266,705mN	UTM Zone 17	-60°	160°	300

**Table 2: Gold Assay Results**

Hole	From (m)	To (m)	Length (m)	Gold (g/t)
SR-11-01	22.4	23.0	0.6	0.48
SR-11-01	50.0	51.0	1.0	0.36
SR-11-01	94.4	95.8	1.4	1.23
SR-11-01	116.1	117.0	0.9	0.37
SR-11-01	125.0	125.7	0.7	0.72
SR-11-01	133.0	134.0	1.0	0.40
SR-11-01	199.0	204.0	5.0	0.34
<b>SR-11-01</b>	<b>238.5</b>	<b>257.0</b>	<b>18.5</b>	<b>1.16</b>

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Hole	From (m)	To (m)	Length (m)	Gold (g/t)
Including				
SR-11-01	241.0	242.0	1.0	17.9
SR-11-01	308.0	309.2	1.2	0.30
SR-11-01	313.6	314.1	0.5	0.45
SR-11-01	352.0	357.0	5.0	0.41
SR-11-01	415.0	426.0	11.0	0.47
SR-11-01	439.2	442.0	2.8	0.38
SR-11-01	446.0	447.0	1.0	0.56
SR-11-01	455.0	456.0	1.0	0.40
SR-11-01	476.0	477.0	1.0	0.87
SR-11-01	537.0	538.0	1.0	0.36
SR-11-01	549.1	549.8	0.7	0.89
SR-11-02	23.0	35.0	12.0	0.33
SR-11-02	43.0	44.0	1.0	0.46
SR-11-02	49.0	50.0	1.0	1.88
SR-11-02	83.2	84.0	0.8	0.49
SR-11-02	110.0	124.0	14.0	0.67
SR-11-02	146.0	151.0	5.0	0.60
SR-11-02	178.0	179.0	1.0	7.09
SR-11-02	200.0	201.0	1.0	3.03
SR-11-02	292.0	293.0	1.0	0.31
<b>SR-11-02</b>	<b>401.0</b>	<b>446.0</b>	<b>45.0</b>	<b>0.48</b>
Including				
SR-11-02	424.0	425.0	1.0	18.7
SR-11-02	472.0	480.0	8.0	1.21
SR-11-02	537.0	538.0	1.0	0.34
SR-11-02	542.0	543.0	1.0	0.35
SR-11-02	548.0	548.7	0.7	0.31
SR-11-02	549.2	550.0	0.8	0.42
SR-11-02	595.0	596.0	1.0	0.39
SR-11-03	1.0	3.0	2.0	0.42
SR-11-03	28.3	28.9	0.6	1.82
SR-11-03	63.0	65.0	2.0	0.67
SR-11-03	101.1	102.0	0.9	0.34
SR-11-03	209.0	210.0	1.0	0.31
SR-11-03	233.0	234.0	1.0	1.69
SR-11-03	247.0	255.0	8.0	0.33
SR-11-03	320.0	321.0	1.0	0.66
SR-11-03	360.0	361.0	1.0	0.43
<b>SR-11-03</b>	<b>404.0</b>	<b>421.0</b>	<b>17.0</b>	<b>0.39</b>
SR-11-03	433.0	434.0	1.0	0.31
SR-11-03	438.6	439.1	0.5	0.65

Notes:

- True widths of intersections are unknown at this time.
- Mineralized intervals are calculated using the weighted Au average based on length of sample and a lower cut-off of 0.3 g/t including low grade zones no greater than 20 metres in length.

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**Table 3: Gold Assay Results**

Hole	From (m)	To (m)	Length (m)	Uncut Au (g/t)	Cut Au (g/t)
SR-11-04	37.5	38.6	1.1	2.31	
SR-11-04	91.0	92.0	1.0	0.37	
SR-11-04	114.5	129.5	15.0	0.42	
<b>SR-11-04</b>	<b>153.0</b>	<b>203.0</b>	<b>50.0</b>	<b>1.33</b>	<b>1.23</b>
Including					
<b>SR-11-04</b>	<b>156.0</b>	<b>160.0</b>	<b>4.0</b>	<b>14.2</b>	<b>13.0</b>
<b>SR-11-04</b>	<b>252.5</b>	<b>273.0</b>	<b>20.5</b>	<b>0.87</b>	
Including					
<b>SR-11-04</b>	<b>252.5</b>	<b>253.5</b>	<b>1.0</b>	<b>16.7</b>	
SR-11-04	390.0	393.0	3.0	0.58	
SR-11-04	400.0	401.0	1.0	0.37	
SR-11-04	408.0	409.0	1.0	1.10	
<b>SR-11-04</b>	<b>451.0</b>	<b>454.9</b>	<b>3.9</b>	<b>16.2</b>	<b>10.4</b>
SR-11-04	498.0	499.0	1.0	1.83	
SR-11-05	21.0	23.0	2.0	0.62	
<b>SR-11-05</b>	<b>166.0</b>	<b>225.0</b>	<b>59.0</b>	<b>0.30</b>	
SR-11-05	239.0	240.0	1.0	0.36	
SR-11-05	241.0	242.0	1.0	0.30	
SR-11-05	259.0	274.0	15.0	0.48	
<b>SR-11-05</b>	<b>321.0</b>	<b>359.0</b>	<b>38.0</b>	<b>0.48</b>	

Notes:

- True widths of intersections are unknown at this time.
- Mineralized intervals are calculated using the weighted Au average based on length of sample, a lower cut-off of 0.3 g/t Au and an upper cut of 25.0 g/t Au, including low grade zones no greater than 20 metres in length.

In April 2012, the Company reported assay results on the remaining four holes of the nine-hole drill program. Hole SR-12-01 was designed to test the small IP target in the southwest part of claim #3011820 on line 13. Holes SR-12-02 and SR-12-03 were drilled on the southern portions of lines 14 and 16 respectively to test the interpreted up-dip occurrence of mineralization observed in holes SR-11-04 and SR-11-01 on the same lines. Hole SR-12-04 was an infill drill hole on line 15 between holes SR11-03 and SR11-05 targeting the IP anomaly and surface geochemistry at shallower depth to confirm continuity of the mineralization.

Gold mineralized downhole intervals are provided in Table 4 using a 0.3 g/t Au lower cut-off.

Based on the observations and assay results from all nine-drill holes, gold mineralization is present as a lower grade disseminated zone hosted in an intensely silicified breccia. Within and immediately peripheral to these lower grade zones, high grade gold occurs variously associated with quartz veins, structures, and areas of the most intense alteration.

Quartz lode vein gold has been mined in the region in the past at underground operations such as Young-Shannon two kilometres northeast of the mineral claim. The wider alteration system exhibits textures and mineralogy similar to that described by Trelawney at the Cote Lake deposit on Trelawney's adjacent property. Trelawney's nearest mineralized drill hole, E11-82, is located approximately 250 metres due east of the boundary of mineral claim #3011820.

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**Table 4: Gold Assay Results**

<b>Hole</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Length (m)</b>	<b>Uncut Au g/t</b>	<b>Cut Au g/t</b>
<b>SR-12-01</b>	<b>24.8</b>	<b>27</b>	<b>2.2</b>	<b>11.67</b>	
Including					
<i>SR-12-01</i>	<i>24.8</i>	<i>25.8</i>	<i>1</i>	<i>24.30</i>	
SR-12-01	61	81	20	0.35	
Including					
SR-12-01	79.2	80	0.8	7.23	
SR-12-01	143	153	10	0.57	
Including					
<i>SR-12-0</i>	<i>143</i>	<i>144</i>	<i>1</i>	<i>4.75</i>	
SR-12-01	193.4	194.2	0.8	0.60	
<b>SR-12-01</b>	<b>265</b>	<b>321.6</b>	<b>56.6</b>	<b>0.43</b>	
Including					
SR-12-01	294.7	295.7	1	5.37	
SR-12-01	346.4	347	0.6	1.36	
SR-12-01	358	359	1	0.38	
SR-12-02	120.9	121.6	0.7	0.61	
SR-12-02	137.4	143	5.6	0.75	
SR-12-02	175	176	1	0.34	
<b>SR-12-02</b>	<b>198.8</b>	<b>217.1</b>	<b>18.3</b>	<b>1.25</b>	<b>1.14</b>
Including					
<i>SR-12-02</i>	<i>198.8</i>	<i>199.1</i>	<i>0.3</i>	<i>31.70</i>	<i>25.00</i>
<i>SR-12-02</i>	<i>203.1</i>	<i>203.5</i>	<i>0.4</i>	<i>13.60</i>	
SR-12-02	246	252	6	0.37	
SR-12-02	261.6	262	0.4	0.42	
SR-12-02	274	275	1	2.11	
SR-12-02	284	286	2	0.43	
SR-12-02	364.8	365.1	0.3	0.30	
SR-12-02	372	373	1	0.47	
SR-12-03	135.1	140.5	5.4	0.44	
SR-12-03	155.5	156.5	1	0.42	
SR-12-03	159.5	160.5	1	0.34	
SR-12-03	175	176	1	0.30	
<b>SR-12-03</b>	<b>185</b>	<b>214</b>	<b>29</b>	<b>0.36</b>	
<b>SR-12-03</b>	<b>236.5</b>	<b>259.5</b>	<b>23</b>	<b>0.42</b>	
<b>SR-12-03</b>	<b>281.9</b>	<b>308</b>	<b>26.1</b>	<b>3.96</b>	<b>0.76</b>
Including					
<i>SR-12-03</i>	<i>285.3</i>	<i>285.8</i>	<i>0.5</i>	<i>192.00</i>	<i>25.00</i>
SR-12-03	336	343.6	7.6	0.35	
SR-12-03	379.9	387	7.1	0.30	
SR-12-04	6.6	7	0.4	0.43	
<b>SR-12-04</b>	<b>62</b>	<b>83</b>	<b>21</b>	<b>1.10</b>	
Including					
<i>SR-12-04</i>	<i>77.0</i>	<i>78.0</i>	<i>1.0</i>	<i>16.00</i>	
SR-12-04	182	186	4	2.72	
Including					
<i>SR-12-04</i>	<i>184.0</i>	<i>185.0</i>	<i>1.0</i>	<i>8.07</i>	
SR-12-04	291	297	6	1.55	

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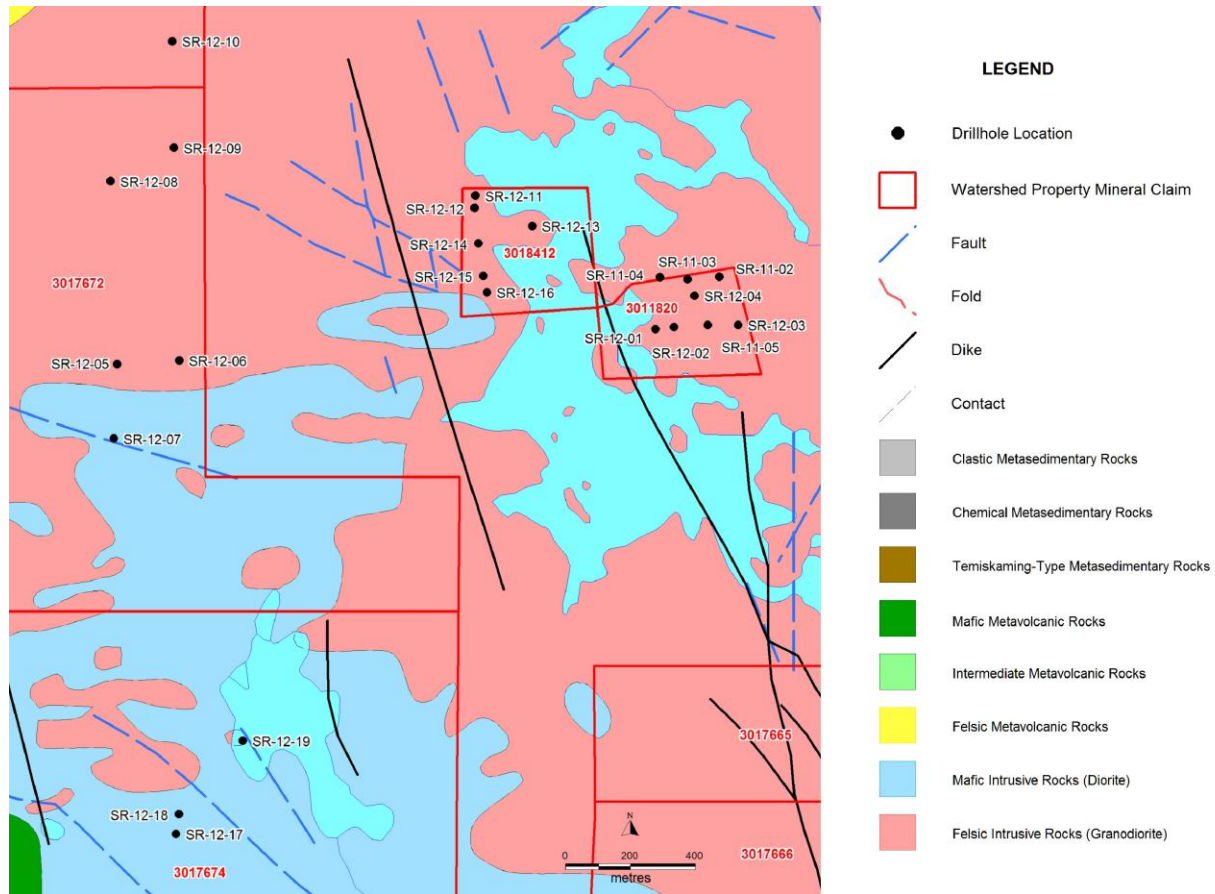
Hole	From (m)	To (m)	Length (m)	Uncut Au g/t	Cut Au g/t
Including SR-12-04	295.0	296.0	1.0	5.01	

Notes:

- True widths of intersections are unknown at this time.
- Mineralized intervals are calculated using the weighted Au average based on length of sample, a lower cut-off of 0.3 g/t Au and an upper cut-off of 25.0 g/t Au, including low grade zones no greater than 20 metres in length.

Based on assay results from the nine-hole drill program on the Clam Lake claim #3011820, the Company has defined a zone of gold mineralization with a lateral extent up to 300 metres wide in the north-south direction. Along strike, the mineralization extends from the TAAC claim boundary in the east to the shores of Clam Lake in the west, a length of 300 metres and is open in both directions. The drilling has shown the mineralization extending to a vertical depth of approximately 400 metres and this also remains open at depth. Geological interpretation of the data indicates it is unlikely that this is a separate zone of gold mineralization confined to the boundaries of the mineral claim. The most probable conclusion is that this zone of gold mineralization is an extension of the Côté Lake gold deposit, based both on Sanatana's results and observations of the drill core, and the fact Trelawney drill hole E11-82 has now been included in the Côté Lake deposit NI 43-101 resource estimate update (Trelawney news release February 24, 2012 and subsequent website updates) located on the adjacent property only 250 metres due east of the boundary of the Watershed mineral claim #3011820.

*Figure 2: Drill Hole Locations*



*2012 Drill, Geophysical and Soil Sampling Program*

The regional soil-sampling program comprises over 1,000 samples at a grid spacing of 400 metres and commenced in June 2012. So far, field crews have collected 811 samples; and the Company has received the related assay results. Interpretation of geochemical anomalies in soils relies upon statistical analysis of a complete dataset for the property, so the Company has not drawn any conclusions from the results to date. This program will be ongoing throughout the summer.

A final report for data processing and interpretation of two ground magnetic surveys conducted by the Company over the Chain of Lakes and Chester areas earlier in 2012 was recently received. The objective of these surveys was to identify diabase dykes in the unexposed subsurface geology to assist with drill collar positioning and avoid intersecting them where possible. Overall, though the ground magnetic was noisy, likely due to tree cover and difficult walking conditions, the study did identify probable diabase dykes in the processed images. Knowledge of the locations and trends will help with planning future drill programs in these areas.

The Company has completed a six-hole drill program (3,035 metre) to test the existence of gold mineralization around the Chain of Lakes area 1.5 kilometres west of Clam Lake where the Company completed the nine-hole drill program in April 2012. All the drilling was angled at 60 degrees to horizontal towards the south, allowing for some slight drift to the west at times. SR-12-05 was collared on cut Line 2 to drill under a grab sample from surface outcrop stripping that

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returned a result of 25 g/t Au coincident with a subsurface apparent resistivity anomaly. SR-12-06 tested the same IP target on Line 3, 200 metres to the east along strike from SR-12-05. SR-12-07 was drilled 250 m south of SR-12-05 on Line 2 testing a parallel IP target. Hole SR-12-08 then moved 800 m north along Line 2 testing a third IP target. Hole SR-12-09 also drilled this same IP target along strike 200 metres east on line 3 (see Table 5).

**Table 5: Drill Hole Locations**

Hole	Line	East	North	Projection	Dip	Azimuth	Depth (m)
SR-12-05	L2	426,800	5,266,500	UTM Zone 17	-60°	180°	497
SR-12-06	L3	427,000	5,266,500	UTM Zone 17	-60°	180°	510
SR-12-07	L2	426,800	5,266,250	UTM Zone 17	-60°	170°	508
SR-12-08	L2	426,800	5,267,050	UTM Zone 17	-60°	175°	498
SR-12-09	L3	427,000	5,267,150	UTM Zone 17	-60°	175°	506
							2,519

Observations from the first three drill holes of the program indicated a more mafic rock sequence of monotonous repetitive shear zones and very little alteration. Hole SR-12-08 provided the first indications of the same host rock type and alteration as was seen at Clam Lake. More substantial gold mineralization was first encountered in hole SR-12-09 (see Table 6) and the style and consistency of this mineralization is encouraging and re-enforces the concept of the Côté Lake - Clam Lake trend extending well beyond the currently defined boundaries. Interpretation of the data implies that these narrow zones of gold mineralization may represent stringers peripheral to the main lode.

**Table 6: Gold Assay Results**

Hole	From (m)	To (m)	Length (m)	Au (g/t)
SR-12-05	143.0	144.0	1.0	0.59
SR-12-05	167.0	170.0	3.0	0.32
SR-12-05	241.0	242.0	1.0	0.96
SR-12-07	152.5	153.0	0.5	0.53
SR-12-08	488.0	489.0	1.0	0.44
SR-12-09	21.5	22.5	1.0	1.08
SR-12-09	33.0	34.0	1.0	0.86
SR-12-09	134.0	135.0	1.0	0.63
SR-12-09	158.0	159.0	1.0	0.46
SR-12-09	224.0	225.0	1.0	0.43
SR-12-09	257.0	258.0	1.0	2.20
SR-12-09	331.0	334.0	3.0	0.39
SR-12-09	363.0	364.0	1.0	0.79
SR-12-09	415.5	416.5	1.0	1.30
SR-12-09	433.0	434.0	1.0	2.83
SR-12-09	500.1	500.5	0.4	1.78

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Hole	From (m)	To (m)	Length (m)	Au (g/t)
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Notes:

- True widths of intersections are unknown at this time.
- Mineralized intervals are calculated using the weighted Au average based on length of sample, a lower cut-off of 0.3 g/t Au and an upper cut-off of 25.0 g/t Au, including low grade zones no greater than 20 metres in length.

The Company moved the drill on to the Clam Lake West mineral claim 3018412 targeting potential for northwest oriented extensions to the gold mineralization encountered on claim 3011820 during the 2011-12 drill program. Six drill holes (1,829 metres) were completed (see Table 7).

**Table 7: Drill Hole Locations**

Hole	East	North	Projection	Dip	Azimuth	Depth (m)
SR-12-11	427,910	5,267,012	UTM Zone 17	-60°	175°	505
SR-12-12	427,908	5,266,975	UTM Zone 17	-50°	000°	110
SR-12-13	428,085	5,266,919	UTM Zone 17	-60°	170°	503
SR-12-14	427,919	5,266,865	UTM Zone 17	-60°	175°	409
SR-12-15	427,935	5,266,766	UTM Zone 17	-60°	180°	200
SR-12-16	427,946	5,266,715	UTM Zone 17	-60°	180°	102
						1,829

Again, most of the drilling was aligned north to south at an inclination of 60° except for hole SR-12-12 that was drilled to the north to provide follow up subsurface testing of a visible gold occurrence, at only 30 metres down hole SR-12-11, right up to the northern boundary. Although it is expected that this azimuth will not provide an optimal test of any mineralization due to the attitude of the structures, the hole was drilled at a shallower angle in an effort to intersect steeper dipping structures as best as possible. The drill core from these holes has only just been logged and sampled and assays are still pending.

The drill returned to the Chain of Lakes target area drilling IP anomalies on the southern end of Lines 3 and 4. Three drill holes (1,554 metres) have been completed so far (See Table 8). Again, the drill core from these holes has only just been logged and sampled and assays are still pending.



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**Table 8: Drill Hole Locations**

Hole	Line	East	North	Projection	Dip	Azimuth	Depth (m)
SR-12-17	L3	427,000	5,265,050	UTM Zone 17	-60°	180°	559
SR-12-18	L3	427,000	5,265,110	UTM Zone 17	-60°	175°	458
SR-12-19	L4	429,000	5,265,335	UTM Zone 17	-60°	175°	537
							1,554

*Summary*

In total, the Company has completed 24 drill holes of which ten have encountered significant gold mineralization with the best intersections shown in Table 9 below.

**Table 9: Gold Mineralized Interval Highlights**

Hole	From (m)	To (m)	Length (m)	Au (g/t)	Au Cut (25g/t)
SR-11-01	238.5	257.0	18.5	1.16	
SR-11-02	110.0	124.0	14.0	0.67	
<b>SR-11-02</b>	<b>401.0</b>	<b>446.0</b>	<b>45.0</b>	<b>0.48</b>	
SR-11-02	472.0	480.0	8.0	1.21	
SR-11-03	404.0	421.0	17.0	0.39	
SR-11-04	114.5	129.5	15.0	0.42	
<b>SR-11-04</b>	<b>153.0</b>	<b>203.0</b>	<b>50.0</b>	<b>1.33</b>	<b>1.23</b>
SR-11-04	252.5	273.0	20.5	0.87	
<b>SR-11-04</b>	<b>451.0</b>	<b>454.9</b>	<b>3.9</b>	<b>16.23</b>	<b>10.35</b>
<b>SR-11-05</b>	<b>166.0</b>	<b>225.0</b>	<b>59.0</b>	<b>0.30</b>	
SR-11-05	259.0	274.0	15.0	0.48	
SR-11-05	321.0	359.0	38.0	0.48	
<b>SR-12-01</b>	<b>24.8</b>	<b>27.0</b>	<b>2.2</b>	<b>11.67</b>	
<b>SR-12-01</b>	<b>265.0</b>	<b>321.6</b>	<b>56.6</b>	<b>0.43</b>	
SR-12-02	198.8	217.1	18.3	1.25	1.14
SR-12-03	185.0	214.0	29.0	0.36	
SR-12-03	236.5	259.5	23.0	0.42	
<b>SR-12-03</b>	<b>281.9</b>	<b>308.0</b>	<b>26.1</b>	<b>3.96</b>	<b>0.76</b>
SR-12-04	62.0	83.0	21.0	1.10	

Notes:

- True widths of intersections are unknown at this time.
- Mineralized intervals are calculated using the weighted Au average based on length of sample, a lower cut-off of 0.3 g/t Au and an upper cut-off of 25.0 g/t Au, including low grade zones no greater than 20 metres in length.

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The 2012 work program is targeting four primary areas; drilling in the Chain of Lakes area will continue towards the north and east attempting to traverse the host rock stratigraphy and test for wider zones of mineralization and potentially the main gold-bearing lode. The Company plans to undertake exploratory drilling on mineral claim #3018412 west of Clam Lake in an effort to extend the known mineralization there and perform infill drilling on mineral claim #3011820 to better define the extent of mineralization identified in the earlier drill program. New areas of drilling and Trelawney's latest interpretation of the Côté Lake Deposit indicate an almost due-north strike direction towards the Company's property boundary with lamgold north of Côté Lake. Future drilling will also include this area northeast of Côté Lake where lamgold has been drilling close to the Watershed property boundary.

The Company plans to spend about \$850,000 on the Watershed property from July to December 2012 depending on exploration results. The Company's objective is to earn a 50% interest in the Watershed property as described above.

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***Mackenzie Project***

The Company's principal project from inception to 2010 was the Mackenzie project in the Northwest Territories, where the Company still holds 125,000 hectares under mineral claims in areas indicating anomalous till samples. The Company identified several geochemical diamond indicator anomalies that have been systematically explored. While the Company found two diamondiferous kimberlites, the deposits were not large enough to be commercially viable. Since suspending exploration, the Company has opted to forgo its mineral claims rather than spend money to extend its rights when the Company's tenure on a specific area expires.

**Financial**

***Exploration and Evaluation Expenditures***

Exploration and evaluation asset costs formed the bulk of the Company's expenditures in the period. These costs and related impairment provisions and reimbursements, are set out in the following table:

	Three Months Ended June 30, 2012 \$	Year Ended March 31, 2012 \$
<b>Watershed property</b>		
Acquisition costs	-	553,250
Contractor and consultant	755,644	1,974,759
Helicopter and fixed wing aircraft	-	13,007
Expediting	-	5,216
Project management fees	39,500	135,405
Field and camp	44,344	86,440
Sampling and assays	294,943	299,612
Transport and accommodation	82,022	214,940
Reclamation provision	-	30,000
Permitting and other	17,427	15,357
Increase in carrying value	<u>1,233,880</u>	<u>3,327,986</u>
<b>Mackenzie property</b>		
Total exploration costs for the period	-	-
Impairment	-	(68,347)
Decrease in carrying value	-	(68,347)
<b>All exploration and evaluation assets</b>		
Net change in carrying value	<u>1,233,880</u>	<u>3,259,639</u>

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**Selected Quarterly Financial Data**

The Company did not have any sales, discontinued operations, extraordinary items, cash dividends or long-term liabilities in the period under review. Material factors affecting operations and exploration and evaluation asset expenditures are described elsewhere in this MD&A.

Quarter Ended	Cash and Equivalents	Exploration and Evaluation Assets	Income (Loss) for the Quarter <sup>1</sup>	Income (Loss) per Share <sup>1,2</sup> (Basic and Diluted)
	\$	\$	\$	\$
September 30, 2010	2,270,078	100,000	(3,176,586)	(0.05)
December 31, 2010	3,793,021	68,347	(248,838)	(0.00)
March 31, 2011	4,210,157	969,909	(833,380)	(0.01)
June 30, 2011	3,718,811	1,408,905	(356,920)	(0.00)
September 30, 2011	3,200,426	1,785,009	(350,399)	(0.00)
December 31, 2011	3,215,878	2,823,608	(592,684)	(0.01)
March 31, 2012	2,325,543	4,229,548	337,490	0.00
June 30, 2012	788,019	5,463,428	(634,024)	(0.01)

<sup>1</sup> The quarters ended March 31, 2011 to December 31, 2011 have been restated from amounts previously disclosed to adjust for the recognition of deferred income taxes resulting from flow-through offerings.

<sup>2</sup> Sum of quarterly loss per share may not equal year-to-date amounts due to rounding.

The Company is an exploration stage company and has not generated any sales or revenues, nor has it had any extraordinary items or discontinued operations in the most recent eight fiscal quarters. As the Company is still in the exploration stage, variances in its quarterly losses are not affected by sales or production-related factors. Variances by quarter reflect overall exploration and corporate activity and certain factors that may not recur each quarter.

Variations from the normal level of operating loss include:

- September 30, 2010 – The Company recorded a \$3,060,000 impairment of its exploration and evaluation assets.
- December 31, 2010 – The Company incurred property investigation costs of \$123,000 and costs associated with abandoned claims of \$35,000 as it moved forward to consider new projects.
- March 31, 2011 – The Company awarded compensatory share options with a fair value of \$502,000 and incurred higher costs due to expanded operations on the Watershed property.
- June 30, 2011 – The Company recognized share-based compensation expense of \$103,000 and incurred a deferred income tax expense.
- December 31, 2011 – The Company recognized share-based compensation expense of \$91,000, expended additional costs associated with exploration on its Watershed property and incurred a deferred income tax expense.

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### Management's Discussion and Analysis Three Months Ended June 30, 2012

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- March 31, 2012 – The Company recorded a \$68,000 impairment of its Mackenzie project and a \$272,000 deferred income tax benefit relating to a reversal of the flow-through shares premium liability. It also reversed a \$38,000 over-accrual of Part XII.6 tax.
- June 30, 2012 - The Company recorded share-based compensation of \$452,000.

#### ***Results of Operations for the Period***

The principal factors necessary to understand the Company's results of operations are:

- Directors, including executive directors, are paid \$10,000 annually; the chairman of the board is paid \$20,000.
- Investor relations expenses relate to investor communications, including maintaining and updating the website and disseminating news releases.
- Management fees and salaries represent amounts paid to officers, employees and contractors and related benefits, net of amounts capitalized to exploration and evaluation assets or allocated to property investigation costs.
- Professional fees were paid to lawyers and auditors. Legal fees in the current period were higher than in the comparative quarter due to there being more Watershed property-related legal work.
- Property investigation costs represent travel, direct geological labour and consulting costs to assess prospective acquisitions.
- Rent relates to the Company's office premises and a storage locker.
- Share-based payments represents the fair value of stock options that recognized over their vesting term, calculated using the Black-Scholes option-pricing model. See note 12 of the Company's June 30, 2012 financial statements for further particulars. The Company treated the awarding of certain options in the current period as a modification of an existing grant and so recognized the incremental fair value of those options at the issue date rather than recognizing the fair value of new options over their vesting period.
- Travel and accommodation represents the cost for management travel to Sanatana's exploration and evaluation assets and for corporate development activities, but does not include the travel costs to inspect prospective acquisitions. Travel and accommodation expense fluctuates significantly from period to period depending on the initiatives under way.

#### ***Changes in Financial Position***

Changes in the Company's financial position since its March 31, 2012 year end primarily relate to expenditures of cash on ordinary-course administration and exploration activities.

#### ***Liquidity***

At June 30, 2012, the Company had cash and cash equivalents of \$788,000. In July 2012, the Company raised \$2,185,000 through the issuance of common shares with the result that the Company has sufficient cash to fund operations for at least 12 months. The Company plans to spend at least \$850,000 on exploration by December 31, 2012. Other specific factors affecting the Company's liquidity are:

- The Company is committed to an exploration drill contract that will cost about \$130,000

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and will incur additional related expenses if it completes the drill program.

- Office premises lease payments total \$55,000 through to January 2013.
- The Company has signed vehicle lease contracts that commit it to monthly payments of \$2,190 until May 2014.
- An employment contract with the Company's CEO includes a six-month termination provision that could cost \$90,000.

The Company's recent activities have been funded through equity financings. The Company expects that it will continue to be able to obtain funds from equity financing but there can be no assurance that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

### ***Related Party Transactions***

At June 30, 2012, the Company had three employees and arrangements with contractors to provide certain administrative, accounting and management services. In addition, certain directors, officers and significant shareholders provide management and consulting services to the Company. The Company had a contract with its chief executive officer that provided for monthly compensation of \$15,000 with six months notice or payment in lieu of notice. Particulars of related party transactions are disclosed in note 13 of the June 30, 2012 financial statements.

In August 2012, the Company entered into change of control agreements with its directors, officers and employees. These agreements provide that in the event of a change of control, as defined, directors and officers of the company may be eligible to receive termination payments within 12 months of the change of control if they resign or are terminated. The amounts potentially payable are: Edward Marlow \$100,000; Nick Archibald \$75,000; Peter Miles \$540,000; Buddy Doyle \$144,000; and Simon Anderson \$135,000. In addition, other employees would be eligible to receive up to an aggregate of \$537,600. The change of control agreements confirm that unvested stock options would vest immediately on a change of control.

### ***Contractual Obligations and Commitments***

Particulars of the Company's contractual obligations and commitments at June 30, 2012 are disclosed in note 16 to the June 30, 2012 financial statements and *Liquidity* above. Additional information regarding payments in the event of a change of control is disclosed in *Related Party Transactions* above.

### **Share Capital**

The Company had 88,689,953 common shares issued and outstanding at June 30, 2012 and at March 31, 2012.

### ***Private Placement***

#### *July 2012*

In June 2012, the Company completed a non-brokered private placement of 2,853,333 flow-through units priced at \$0.30 per unit and 5,315,000 non-flow-through units priced at \$0.25 per unit for aggregate gross proceeds of \$2,184,750. The flow-through units comprise one flow-through common share and a half-warrant, with each whole warrant exercisable into non-flow-

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through common shares at \$0.40 per share for two years. The non-flow-through units comprise one common share and a half-warrant, with each full warrant exercisable at \$0.35 for two years. The Company paid a finder's fee of \$116,148, representing 7% of gross cash proceeds sourced by finders and 429,800 finder warrants equity representing to 7% of the units issued to certain parties. The Company plans to renounce \$856,000, being 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). All securities issued are subject to a hold period that will expire in November 2012.

Funds raised from the flow-through offering will be used for mineral exploration at the Company's Watershed project and for general corporate purposes.

### ***Share Option Plan***

In April 2011, the Company's shareholders approved a new rolling share option plan, to replace its previously adopted plan. The intent was to increase the Company's ability to offer incentives to directors, officers, employees, management and others who provide services to the Company and align the option plan with current regulatory requirements. Under the option plan, a maximum of 10% of the issued and outstanding common shares at the time an option is granted, less common shares reserved for issuance on exercise of options then outstanding under the option plan, are reserved for options to be granted at the discretion of the board to eligible optionees. All outstanding options continue under the new option plan.

Options granted under the option plan are non-assignable and non-transferable and are issuable for a period of up to ten years. In the case employment or other contracting arrangement of a director, officer, employee or consultant of the Company of an optionee being terminated, the options will immediately terminate without right to exercise. The board of directors of the Company determines the exercise price, which may be no less than the discounted market price, as defined in the option plan, at the day of grant. The Company's shareholders re-approved the plan in October 2011.

### *Option Grants*

In June 2012, the Company awarded options to purchase up to 3,350,000 common shares at an exercise price of \$0.35 per share to directors, officers, employees and contractors.

### *Option Forfeitures and Cancellations*

In June 2012, the Company cancelled options to purchase up to 1,400,000 common shares at between \$0.75 and \$1.35 per share and options to purchase up to 600,000 common shares exercisable at between \$0.30 and \$1.35 expired unexercised.

### ***Share Purchase Warrants***

As described above, in connection with the July 2012 private placement, the Company issued finder's warrants to purchase up to 429,800 common shares at a price of \$0.30 until July 12, 2013.

### ***Dividends***

The Company has not paid any dividends in the past and does not expect to pay any dividends in the near future.

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***Outstanding Share Information***

As of the date of this MD&A, the Company had the following securities issued and outstanding:

- 96,858,286 common shares;
- 4,726,087 share purchase warrants; and
- 7,575,000 stock options.

Fully diluted share capital is therefore 109,159,373 common shares.

**Risks and Uncertainties**

Sanatana's business of mineral resource exploration involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future; Sanatana's common shares should therefore be considered speculative.

*Capital Markets and Economic Uncertainty*

Sanatana does not have sufficient cash or access to capital to complete the development of its exploration and evaluation assets, even if it were to find an economic mineral resource. The Company's business plan currently relies on obtaining funding through offerings of its equity.

*Nature of Mineral Exploration and Development Projects*

The business of mineral exploration involves a high degree of risk. Few of the properties that are explored are ultimately developed into mines. Sanatana's properties are in the exploration stage. Proposed exploration programs are exploratory searches for such a deposit. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

The Company's operations are subject to all the hazards and risks normally associated with mineral exploration, any of which could result in damage to life or property or the environment. The Company's operations may be subject to disruptions caused by unusual or unexpected formations, formation pressures, fires, power failures, flooding, explosions, cave-ins, landslides, the inability to obtain suitable or adequate equipment or machinery, labour disputes, or adverse weather conditions. Although the Company maintains insurance to cover normal business risks, the availability of insurance for many of the hazards and risks is extremely limited or uneconomical at this time. Through high operating standards, Sanatana works to reduce these risks.

In the event the Company is fortunate enough to discover a sizable deposit, the economics of commercial production depend on many factors, including the cost of operations, the size, quantity and quality of the diamonds or ore concentration of gold, proximity to infrastructure, financing costs and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use and environmental protection. The effects of these factors cannot be accurately predicted, but any combination of these factors could adversely affect the economics of commencement or continuation of commercial production.

The profitability of the Company's operations will be dependent on the market price of the resources it is seeking, currently gold. Resource prices are affected by factors beyond the



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control of the Company, including international economic and political conditions, levels of supply and demand and international currency exchange rates.

Success in establishing reserves is the result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land available for exploration, the availability of suitable contractors, and other factors. If mineralization is discovered, the initial phases of drilling may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves through drilling, to determine the optimal metallurgical process and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of resources or reserves.

### *Licenses and Permits, Laws and Regulations*

Sanatana's exploration activities require permits from various government authorities and are subject to extensive federal, provincial and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. Sanatana draws on the expertise and commitment of its management team, directors, advisors and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies.

The Company believes that it holds all necessary licenses, and will receive all necessary permits under applicable laws and regulations, and believes it is presently complying in all material respects with the terms of such licenses and permits. There is no assurance that future changes in applicable regulations, if any, will not adversely affect the Company's operations. Government approvals and permits are required in connection with the exploration activities proposed for the Company's properties. To the extent such approvals are required and not obtained, the Company's planned exploration and development activities may be delayed, curtailed, or cancelled entirely.

### *Claim Titles and Aboriginal Rights*

Aboriginal rights may be claimed on Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to aboriginal issues having been instituted with respect to the Watershed property.

### *Conflicts of Interest*

Certain of the Company's directors, officers and significant shareholders are or may become shareholders, directors or officers of other natural resource companies, and, to the extent that such other companies may participate in ventures with the Company, these individuals may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or of its terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which one or more directors or officers may have a conflict.

From time to time, the Company, together with several other companies, may be involved in a joint venture opportunity where several companies participate in the acquisition, exploration and development of natural resource properties, thereby permitting the Company to be involved in a

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greater number of larger projects with an associated reduction of financial exposure in any given project. The Company may also assign all or a portion of its interest in a particular project to any of these companies due to the financial position of the other company or companies.

In accordance with the laws of the province of British Columbia, the directors are required to act honestly and in good faith with a view to furthering the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed, and the financial position of the Company at that time.

For additional information, please refer to the Company's website at [www.sanatanaresources.com](http://www.sanatanaresources.com). For all regulatory filings including news releases, please refer to the Company's profile on [www.sedar.com](http://www.sedar.com).