

SANATANA RESOURCES INC.

Management's Discussion and Analysis

December 31, 2015



1908—925 West Georgia Street
Vancouver BC, Canada V6C 3L2

T 604.408.6680 F 604.608.9500
E Info@SanatanaResources.com W www.SanatanaResources.com

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Management's Discussion and Analysis
Nine Months Ended December 31, 2015

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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 was prepared as of February 25, 2016 and should be read in conjunction with the Company's unaudited condensed interim financial statements for the period ended December 31, 2015 and the Company's audited financial statements and related notes for the year ended March 31, 2015. This MD&A is intended to provide the reader with a review of the Company's performance for the period ended December 31, 2015 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 for the period ended December 31, 2015 have been prepared in accordance *IAS 34 – Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

All financial statement amounts in this MD&A are in Canadian dollars unless otherwise noted.

Incorporation and Listing Information

Sanatana was incorporated 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 trade on the TSX Venture Exchange as a mining exploration and development company under the symbol STA. If the Company's proposed divestiture of its Watershed Property completes (see *Proposed Divestiture of the Watershed Property* below), the Company may no longer meet the listing requirements of the TSX Venture Exchange and the Company's listing may be transferred to the NEX board as a result.

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 the Watershed Property in Ontario, see *Watershed Property* below, but Sanatana also has a diamond exploration property in Saskatchewan.

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 - Standards of Disclosure for Mineral Projects* ("NI 43-101") and is responsible for the geoscientific and technical disclosure contained in this document.

Corporate Developments

- In January 2016, the Company entered into definitive agreements with Trelawney Augen Acquisition Corp. ("TAAC") to divest its 50% interest in the Watershed Property for total cash consideration of up to \$5,000,000. See *Watershed Property* below.
- In December 2015, Barry Fraser resigned from the board of directors.

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- In November 2015, the Company gave notice to form a 50/50 joint venture to manage the Watershed Property. See *Watershed Property* below.
- In November 2015, the Company reported on exploration results from a program run by Trelawney Mining and Exploration Inc. ("Trelawney") on its Clam Lake property which is adjacent to the Company's Watershed Property. See *Watershed Property* below.

Watershed Property

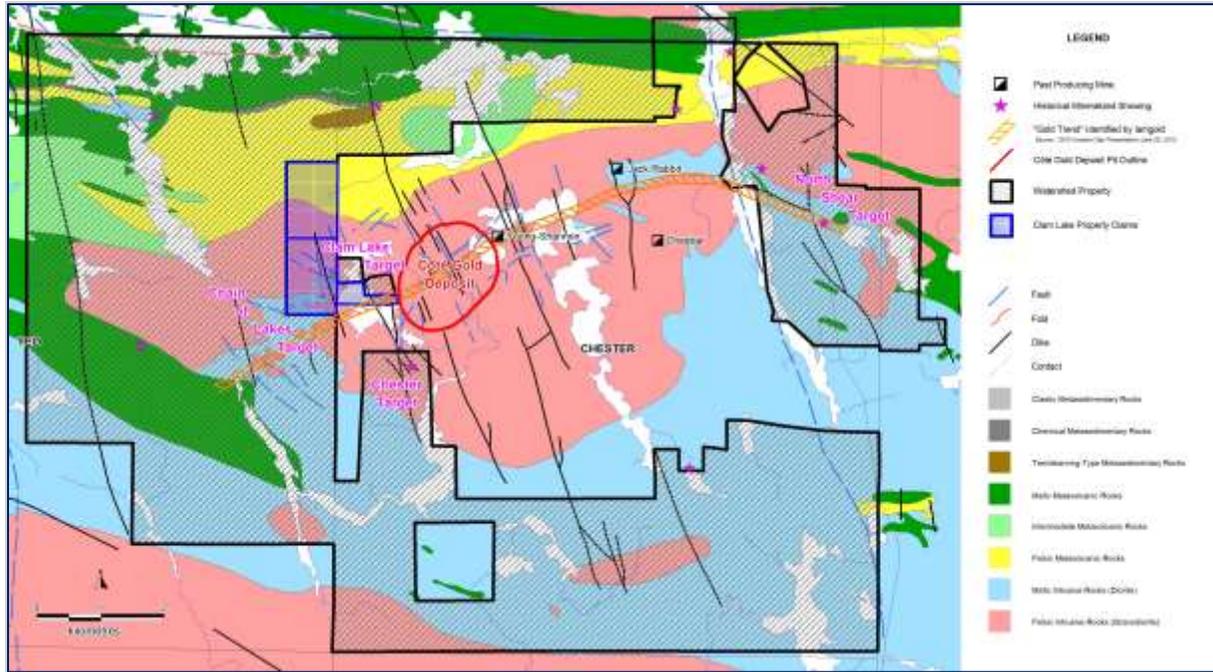
Introduction

The Watershed Property comprises a 50% interest in 46 mining claims and a 10% interest in three further mining claims (see *Option and Joint Venture Agreement* and *Area of Interest* below) covering a total of 7,904 hectares (Figure 1). The project area is located midway along Highway 144 between Sudbury and Timmins near the town of Gogama, Ontario. Major known prospects on the property include 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.

The geology of the Watershed Property area is typical of the Swayze Greenstone Belt in this area, comprising a structurally complex mafic to felsic metavolcano-sedimentary supracrustal sequence of rocks intruded in places by diorite to tonalite rocks of the Chester Intrusive 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.

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Figure 1: Watershed Property Claims



In September 2015, the Company reported a mineral resource estimate incorporating assay results on mining claim 3011820 from 25 drill holes totalling approximately 9,000 metres, completed by Caracle Creek International Consulting Inc. ("CCIC"). The mineral resource estimate, based on an open pit scenario, comprises an inferred resource of 4.3 million tonnes grading 1.22 grams of gold per tonne for 168,700 contained ounces, at a cut-off grade of 0.3 grams of gold per tonne (see table below).

Classification	Cut-off Grade g/t Au	Tonnage (tonnes)	Gold Grade g/t Au	Contained Au (ounces)
Inferred	0.3	4,300,000	1.22	168,700

Notes:

1. CIM definitions were followed for classification of Mineral Resources.
2. Mineral Resources are not Mineral Reserves and have not demonstrated economic viability.
3. All tonnage figures were rounded to the nearest 10,000. All grade figures were rounded to two decimal places.
4. Au ounces were rounded to nearest 100.
5. High grade assays were capped at 17 g/t.
6. 0.3 g/t cut-off was determined from benchmarking of similar projects within the area.
7. Specific gravity (SG) values were interpolated into the block model to calculate tonnage using sample pulp SG data.

Proposed Divesture of the Watershed Property

On January 12, 2016, Sanatana entered into a suite of definitive agreements with TAAC to divest Sanatana's 50% interest in the Watershed Property and all of Sanatana's related information, data and drill core.

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Pre-Closing and Closing Payments

The aggregate purchase price payable by TAAC for the Watershed Property and all of Sanatana's related information, data and drill core is:

- \$200,000 on execution of the definitive asset purchase agreement, voting support agreements by Sanatana's directors and officers, and an agreement with respect to surface access in favour of TAAC (the "Surface Rights Agreement"). This payment has been made;
- \$1,800,000 upon closing; and
- return of 6,987,239 common shares of Sanatana held by TAAC and its affiliates.

Post-Closing Contingent Payments

- \$1,500,000 upon a decision to put all or a part of the Watershed Property into commercial production;
- \$1,500,000 upon commencement of commercial production of all or a part of the Watershed Property; and
- 1% net smelter returns royalty ("NSR") on the Watershed Property subject to a buy-out right to TAAC at any time of 0.5% of the NSR for a further cash payment to Sanatana of \$2,000,000. TAAC also has a right of first refusal on any sale of the NSR.

Other Provisions

The Surface Rights Agreement provides TAAC and TAAC's affiliates with immediate access to the surface rights of the Watershed Property subject to Sanatana's right to use the surface rights for prospecting and the efficient exploration, development and operation of the mines, minerals, and mining rights. Further, if all the mutual condition precedents to close the transaction are satisfied and the condition precedents to close the transaction in TAAC's favour are satisfied (see below for a summary of the material conditions) and TAAC does not close, then the Surface Rights Agreement will terminate and TAAC and its affiliates will have no rights thereunder. Alternatively, if all the mutual condition precedents to close the transaction are not satisfied or waived by Sanatana and TAAC, where permitted, or the condition precedents to close the transaction in TAAC's favour are not satisfied or waived by TAAC, then TAAC will retain its rights under the Surface Rights Agreement.

For the purposes of the post-closing contingent payments, the Watershed Property is defined to include only the original 46 mining claims (the "Original Mining Claims") referenced in the option and joint venture agreement dated February 14, 2011 between Sanatana and TAAC and the contingent payments are not based on the 20% carried interest in the three mining claims that Sanatana acquired for the benefit of Sanatana and TAAC in 2013 (the "Clam Lake Claims"). Notwithstanding the foregoing, the transaction requires Sanatana to sell to TAAC all of the mineral claims comprising the Watershed Property and such mineral claims include the Original Mining Claims and the Clam Lake Claims.

The directors and executive officers of Sanatana who own Sanatana common shares entered into voting and support agreements to vote in favour of the transaction at the Sanatana shareholder meeting. A total of 15,374,601 Sanatana common shares are represented by such voting and support agreements.

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Sanatana Approvals and Other Conditions

Sanatana has scheduled a shareholders' meeting to consider and approve the transaction for March 4, 2016. The terms of the transaction are described in Sanatana's management information circular which is available at www.sedar.com.

Closing of the transaction is subject to conditions including:

- approval of the transaction by two-thirds of the votes cast in person or by proxy at the Sanatana shareholder meeting;
- approval of the TSX Venture Exchange;
- that the representations and warranties given by Sanatana are true and correct in all material respects on the closing date;
- that Sanatana shall have performed and complied in all material respects with all the terms and conditions of the asset purchase agreement;
- compliance with the Bulk Sales Act (Ontario);
- that there are no material adverse changes since the date of the asset purchase agreement; and
- that the voting and support agreements are complied with.

Option and Joint Venture Agreement

In February 2011, Sanatana entered into an option and joint venture agreement with Augen Gold Corp. ("Augen"), as it then was, (the "Option and JV Agreement") regarding the Watershed Property. Trelawney subsequently acquired Augen and, through a corporate reorganization, renamed Augen as TAAC. Subsequently, in June 2012, IAMGOLD Corporation ("Iamgold") acquired Trelawney. The Company has posted a redacted copy of the Option and JV Agreement on SEDAR. The Company paid a finder's fee in connection with the Option and JV Agreement through the issuance of 678,571 common shares.

Under the terms of the Option and JV Agreement, Sanatana has the option to acquire up to a 51% undivided interest in the rights to 46 mineral concessions in Ontario (the "Core Property") free and clear of all encumbrances. The Core Property is located within the townships of Yeo, Chester, Neville and Benneweis and covers 7,691 hectares.

In November 2012, Sanatana exercised its first option and acquired a 50% undivided interest in the Core Property (the "50% Interest"). In order to exercise the 50% Interest, Sanatana paid \$150,000 in cash, issued 5,000,000 common shares and incurred over \$5,000,000 in work costs. Sanatana is the registered owner of the Watershed Property, which is to be held in trust for the benefit of the parties in accordance with their respective interests.

In November 2015, the Company gave TAAC notice that it wishes to form a 50/50 joint venture to manage the Watershed Property. Sanatana will be the initial manager of the joint venture which will be subject to the terms of the Option and JV Agreement.

Joint Venture

Sanatana has the right to be the manager of the joint venture when it is formed and will manage exploration work as directed by a management committee based on the parties' respective interests in the joint venture.

Sanatana has elected to continue exploring the Core Property and continues to be credited for related work costs. Specifically, any work costs incurred by Sanatana in excess of the work costs required to earn its interest in the Core Property will be credited to Sanatana's contribution

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to the first work program after formation of the joint venture and will not automatically dilute the participating interest of TAAC on formation. To December 31, 2015, Sanatana has incurred approximately \$4.4 million in work costs in addition to the \$5,000,000 in work costs that Sanatana spent to acquire the 50% Interest.

Area of Interest

The Core Property is protected by an area of interest extending at least one kilometre from any portion of the Core Property (the "AOI") as it existed as of the date of the Option and JV Agreement. If a party to the Option and JV Agreement (or its affiliate) acquires any interest in mining claims or any other form of mineral tenure located wholly or partly in the AOI (the "AOI Tenure"), then the acquiring party must immediately notify the other party and provide (1) details of the related costs and (2) all details in its possession with respect to the nature of the AOI Tenure and its known mineralization. While the AOI extends at least one kilometre from the Core Property, the exact size of the AOI was redacted in the copy of the Option and JV Agreement that Sanatana filed on SEDAR and has not been publicly disclosed.

Participation Right

TAAC has the right to purchase up to 10% of any securities issued by Sanatana in a brokered or non-brokered offering. The participation right terminates on the termination of the Option and JV Agreement or formation of the joint venture. TAAC is prohibited from exercising the participation right if it (or any person or company acting jointly or in concert with TAAC) would in the aggregate beneficially own, or exercise control or direction over, 20% or more of the voting securities of Sanatana.

Trelawney Easement Application

On April 26, 2013, Trelawney, a subsidiary of Iamgold, filed an application with the Commissioner seeking easement rights on the Watershed Property. The proposed easements would have had a materially adverse effect on Sanatana's ability to raise funding for and to explore the Watershed Property. The Commissioner scheduled a hearing to address this matter in November 2014; however, on the first day of the hearing Trelawney advised the Commissioner that it wished to discontinue the hearing with consent from Sanatana. Both parties subsequently filed materials regarding costs and a hearing was held on January 6, 2015 to address this matter after which the Commissioner ordered that Trelawney pay costs of \$402,000 to Sanatana. The Company has posted a copy of the Commissioner's orders regarding discontinuance and costs on its website (www.sanatanaresources.com) under "Easement Dispute".

Purchase of Rights Under the AOI

Rights Acquired

Trelawney, an affiliate of TAAC, previously acquired a 20% undivided legal and beneficial interest in and to unpatented mining claims 4240522, 4241016 and 4220425 (the "Clam Lake Property") over an area of 213 hectares situated in the Yeo and Chester townships, which are within the AOI. 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").

Having reviewed the geological information associated with the Clam Lake Property along with the Acquisition Agreement, Sanatana elected to (1) have the interest in the Clam Lake Property

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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 is 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 Clam Lake Property are the sole obligation of Trelawney and Sanatana will not have any obligation in that regard.
- Upon completion and delivery of a positive pre-feasibility 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 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 return 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 is subject to 2% NSR royalty, which can be reduced to 1% by paying the royalty holders \$1,000,000 at any time.

Trelawney recently commenced a drill program on the Clam Lake Property. See *Exploration Activities - Drilling Completed by Trelawney* below.

Exploration Activities

Before Sanatana's Involvement

There was historic exploration on the Watershed Property that included grab sampling, geophysical surveys, and diamond drilling. The grab sampling returned gold assays of up to 270 g/t Au from historical gold showings.

TAAC (at that time operating as Augen Gold Corp.) had recently completed a DIGHEM (Fugro) airborne magnetic and electromagnetic ("EM") survey on its South Swayze property, which at the time included the Company's current Watershed Property, and more locally had undertaken 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.

Work Completed by Sanatana

Sanatana engaged CCIC to compile all available data for the Watershed area into a project 3-D model that would be used as a basis for generating targets on which to focus efforts in the field. The four key areas of Clam Lake, Chain of Lakes, Chester and North Shear were highlighted from this study (Figure 1).

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The Company completed several geophysical, geochemical and geological surveys on the property from June 2011 to April 2013 at regional and local scales in order to build on the project 3-D model and to better understand the geological setting and gold mineralization potential.

Geophysical work included; an airborne EM survey by Geotech Ltd. using its proprietary ZTEM system covering the entire Watershed Property at 200-metre line spacing, an induced polarization ("IP") survey covering approximately 25 line-kilometres on the key prospects of the Watershed Property conducted by CCIC using the proprietary EarthProbe method, and four small scale ground magnetic surveys over parts of the key prospect areas. CCIC also conducted down hole IP using the EarthProbe method on selected drill holes at Clam Lake to check for possible "near miss" scenarios and DGI Geoscience Inc. ("DGI") conducted down hole geophysical data logging of the drill holes collecting structural measurements and a range of physical rock properties.

Geological and geochemical work included fact mapping and rock sampling over the entire property area, a regional soil sampling program was completed collecting 1,453 samples and a program of outcrop stripping with detailed geological mapping and channel sampling of the exposed bedrock over selected IP anomalies at all four key areas of the property to assist in interpretation of the IP data and the locating of drill holes to test the subsurface targets.

The Company completed diamond drilling over five areas on the Watershed Property from October 2011 until March 2013, comprising 43 drill holes totalling 17,131 metres.

The bulk of the drilling was focused on the Clam Lake claim #3011820, where the Company has defined a zone of lower grade disseminated gold mineralization hosted in an intensely silicified breccia and quartz veins that warranted further study. CCIC was engaged to undertake the geological modelling and to compile a technical report on the outcomes. Over 1,000 check assay samples were collected from the drill sample pulps and submitted to ALS for gold and specific gravity analysis as an integral part of the QA/QC study and 43-101 resource estimate.

For details of the all the exploration results refer to the Company's website and new releases available there and on SEDAR.

Drilling Completed by TAAC

A drill hole completed by TAAC in 2011 (WC11-132) and collared within the lamgold affiliated mining claim area was found to have unintentionally drifted onto mining claim 3011820 of the Watershed Property. All relevant data was made available to the Company. No significant intervals of mineralization were intercepted by the drill hole due to the high angle at which the hole entered the mining claim compared to the mineralized trends. The cost of the drilling conducted within mining claim 3011820 was filed as assessment work on that claim.

Drilling Completed by Trelawney

In November 2013, Trelawney drilled three exploration drill holes (892.5 metres) on the Clam Lake Property on the west side of Clam Lake and returned an intersection of five metres (estimated 2.5 metres true width) at 63.2 g/t Au (uncut) from 143.0 metres down hole CLM13-02 at the eastern edge of the South IP Anomaly. No significant results were reported from the other two drill holes (CLM13-01 and CLM13-03). The mineralized interval was hosted by a sulphidic deformation zone (subsequently named the Hava Deformation Zone or "HDZ").

The HDZ is a ductile shear zone hosting sheeted sub-parallel to parallel lenses and pods of boudinaged quartz veins with semi massive fracture filling chalcopyrite-pyrite-pyrrhotite-bornite

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(on fracture faces) and also accessory telluride minerals, electrum and visible gold trending east-west along the contact between quartz diorite and tonalite country rocks. The HDZ displays strong to intense pervasive sericite-biotite-chlorite and patchy carbonate alteration envelope in the host lithologies.

In the third quarter of 2014, Trelawney completed an intensive exploration program following up on the gold mineralization at the HDZ. Field work included a down hole rock properties survey of drill hole CLM13-02, systematic geochemical sampling and analysis of previously stripped outcrops as well as newly exposed areas that were mapped to extend the known area of the HDZ and the completion of a nine-hole 1,881-metre drill program. Five of the drill holes intersected the shear zone at around the projected target depths as planned and four of these holes had intercepts containing visible gold logged.

In the summer of 2015, Trelawney undertook additional mechanical stripping, washing and mapping on surface to expose more strike extent to the HDZ and collected 186 channel samples. Highlights of the channel sampling results included 0.5 m @ 103 g/t Au across a quartz vein at the hanging wall contact zone and a vein at the footwall contact zone grading 86.8 g/t Au over 0.45 metres. The best composite value obtained over the HDZ was on the eastern portion of the stripped outcrop where 9.53 g/t Au over 3.9 metres was returned. The encouraging results of the fieldwork at surface prompted more drilling of the eastern extent of the HDZ and a five hole 1,229 metre diamond drill program was completed in the fall. Although gold values were intersected at the target depths in all five drill holes, the results showed a trend of thinning intervals and lower grades to the east.

To date the HDZ has been identified along 400 metres of strike length and to a vertical depth of 250 metres by drilling and exposed at surface through mechanical stripping over a distance of 130 metres. Geological mapping and core logging combined with the variable and locally high grade gold results from both the channel sampling and the drilling confirms the gold is largely hosted by narrow, pinch and swell (boudinaged) quartz veins over limited strike lengths within the HDZ

Other surficial fieldwork undertaken at the so called Pyrite-Sphalerite Zone ("PSZ") revealed some surprisingly encouraging assay results from initial rock grab and channel samples over outcrops exposed by hand stripping. The PSZ was intersected in drill hole CLM14-08 as a gold bearing pyrite and sphalerite sulphide rich interval (0.8 metres at 9.33 g/t Au from 73.6 metres). Hand stripping, mapping and sampling of outcrop in manually stripped old trenches over the surface projection of the PSZ resulted in the collection of 37 predominantly channel samples. Eleven of the samples collected from six different trenches returned significant gold values ranging from 1.92 g/t to 77.5 g/t Au. Based on these encouraging results at surface, two drill holes for a total of 430 metres were completed testing the PSZ at shallow depth (~50 metres) as part of the fall drill program. The assay results for samples over the target intervals were disappointing returning values of only 1 g/t Au over 1 metre or less.

The PSZ can best be described as a series of narrow quartz sulphide and massive sulphide veins trending at 075° and carrying highly variable amounts of gold. The elevated gold in association with sphalerite and arsenopyrite as well as the trend of the veins suggest that this system may not be related to the HDZ but rather to a separate base-metal and gold bearing structure that remains open and untested along strike, although it does not seem to persist to any significant depth.

Sanatana has a 10% carried interest in the Clam Lake Property (see *Rights Acquired Under the AOI* above).

Current Field Programs

The Company's exploration programs are on hold pending the proposed divestiture of the Watershed Property.

Green Lake Property

The Company acquired its rights to the Green Lake Property in two stages:

- 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. The mineral claims were acquired using the online Mineral Administration Registry Saskatchewan system. Based on its review of publicly available airborne magnetic and ground geochemical data, the Company believes the properties are prospective for diamondiferous kimberlite exploration. The rights acquired in February 2014 are due to expire in February 2016 unless the Company pays deposits of \$88,000 in lieu of expenditure or the Saskatchewan government grants a special application for relief by May 2016.
- In January 2015, the Company acquired additional mineral tenure to increase its land position to 85,000 hectares. The Company acquired this tenure after a geochemical sampling program completed in 2014 confirmed the presence of kimberlitic indicator minerals in the surface sediments. In order to keep the second part of the Green Lake property in good standing, the Company must spend approximately \$1,198,000 by December 2016.

In order to implement a regional exploration program to thoroughly evaluate the diamond potential of the area, it is critical that the Company first negotiate an access and land-use agreement with Northern Village of Green Lake. To date, meetings between the Company and the mayor and council for the Northern Village of Green Lake have proven unsuccessful but the Company plans to continue discussions. In the interim, the Company's plans for field-based exploration activities on the current mineral claims are on hold.

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Financial

Financial amounts in the narrative have been rounded to the nearest thousand dollars.

Exploration and Evaluation Expenditures

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

	Nine Months Ended December 31 2015 \$	Year Ended March 31 2015 \$
Watershed Property		
Acquisition costs	-	-
Contractor and consultant	48,037	119,465
Field and camp	1,507	13,504
Permitting and other	2,319	26,992
Project management fees	72,000	112,250
Sampling and assays	266	25,129
Transport and accommodation	7,005	25,742
	<u>131,134</u>	<u>323,082</u>
Green Lake Property		
Acquisition costs	-	48,061
Contractor and consultant	790	8,476
Field and camp	297	11,084
Permitting and other	2,136	-
Project management fees	34,500	51,250
Transport and accommodation	1,480	17,690
	<u>39,203</u>	<u>136,561</u>
All exploration and evaluation expenditures	<u>170,337</u>	<u>459,643</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 ¹	Income (loss) per Share ¹ (Basic and Diluted)
	\$	\$	\$	\$
March 31, 2014	284,063	4,102,952	(383,648)	(0.00)
June 30, 2014	190,108	4,173,703	(250,601)	(0.00)
September 2014	635,384	4,295,474	(253,937)	(0.00)
December 31, 2014	253,551	4,454,504	(319,471)	(0.00)
March 31, 2015	94,403	4,562,595	(238,796)	(0.00)
June 30, 2015	23,407	4,627,814	205,265	0.00
September 30, 2015	8,391	4,686,683	(289,626)	(0.00)
December 31, 2015	2,484	2,190,954	(2,754,527)	(0.02)

¹ 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.

Significant variations from the normal level of operating loss include:

- December 31, 2015 – The Company recorded a \$2,542,000 impairment provision against the Watershed Property.
- September 30, 2015 – The Company incurred \$138,000 in reclamation costs on a former exploration property in excess of the reclamation provision previously recorded.
- June 30, 2015 – The Company recovered costs of \$356,000 plus HST (total \$402,000) that were incurred to defend Trelawney's easement application claim.
- March 31, 2014 and December 31, 2014 – The Company incurred abnormally high legal costs regarding the Watershed Property.

Results of Operations for the Period

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

- The Company's chairman was compensated with a base fee of \$96,000 annually (see *Related Party Transactions* below) and the remaining directors receive \$10,000 annually. The board of directors has agreed to defer payment of director fees until the Company's financial position improves. Director fees will further decline in future

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quarters following the resignations of Edward Marlow in September 2015 and Barry Fraser in December 2015.

- Investor relations expenses relate to investor communications, including maintaining and updating the website and disseminating news releases. The Company paid \$3,500 per month to an investor relations consultant until February 2015. Investor relations expense decreased significantly following completion of that contract.
- 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. The Company's employees have agreed to defer part of their compensation until the Company's financial position improves (see *Liquidity* below).
- Professional fees were paid to lawyers and auditors. With the resolution of Trelawney's easement application earlier in 2015, the Company incurred lower legal fees in the current period.
- Rent relates to the Company's office premises and a storage locker. During 2014, the Company moved into smaller offices with a shorter-term lease as part of its initiative to reduce overhead. The Company further reduced its office commitment in 2015.
- Share-based payments represent the fair value of stock options recognized over their vesting term, calculated using the Black-Scholes option-pricing model. The Company generated a recovery in the current period as (1) in previous periods, the Company accrued an expense for Mr. Marlow's options that did not vest before he resigned; and (2) in March 2015, the Company accrued an expense for an obligation to issue options, but the value of the options to be granted declined in the interim, and was eventually eliminated when the obligation terminated.
- 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.
- Reclamation expense is the cost of removing the Mackenzie diamond property camp in excess of the clean-up provision of \$100,000. Costs incurred comprised labour, travel, accommodation and supplies for disassembly and removal of equipment and garbage. The Company may be able to recover some costs through the sale of equipment.
- Litigation costs recovery represents an award of costs in favour of Sanatana (see *Trelawney Easement Application* above).
- Interest and other income for fiscal 2015 primarily relates to a recovery of refundable deposits previously written off.
- Exploration and evaluation assets impairment adjusts the carrying value to the approximate expected sales proceeds on the divesture of the Watershed Property, see *Watershed Property* section above.
- Equipment impairment adjusts the carrying value of the Company's drill to its estimated fair value less costs of disposal.

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- Deferred income tax recovery represents the reversal of flow-through shares premium liability. This amount does not represent a cash flow to the Company.

Changes in Financial Position

Changes in the Company's financial position since its March 31, 2015 year end primarily relate to expenditures of cash on administration and exploration activities, apart from:

- recovery of litigation costs described above which was used to discharge related accounts payable;
- impairment of exploration and evaluation assets and equipment;
- advances from the Company's CEO; and
- completion of reclamation on the Mackenzie property, which resulted in a reduction in provisions of \$100,000 and an increase in accounts payable and accruals.

Liquidity

At December 31, 2015, the Company had cash and cash equivalents of \$2,000 and a working capital deficiency of \$1,479,000. Cash on hand is not sufficient to fund 12 months' activities; specific factors affecting the Company's liquidity are:

- In January 2016, the Company received \$200,000 on signing a Surface Rights Agreement (see *Proposed Divestiture of the Watershed Property* above). If shareholders approve the sale of the Watershed Property and the other conditions are met, the Company will receive a further \$1,800,000 which will be sufficient to fund near-term operations.
- In February 2016, the Company reached agreements with suppliers, employees and directors to settle amounts due at less than their face value. The Company paid cash of \$86,000 to settle obligations of \$125,000 resulting in a gain on settlement, net of sales taxes, of approximately \$37,000. The Company is continuing to negotiate debt settlements as a way of managing its financial position.
- The board of directors is deferring payment of certain director fees until the Company's financial position permits. The Company's employees have also agreed to defer a portion of their compensation. At December 31, 2015, deferred compensation owed to Sanatana's employees and current and former board members was \$581,000.
- In the event that shareholders approve divestiture of the Watershed Property, the Company is obliged to pay a bonus to its former its board chairman. See *Related Party Transactions* below.
- In order to maintain the Green Lake properties, Sanatana will have to spend \$88,000 in the short term and a further \$1,198,000 by December 2016 unless the Saskatchewan government provides relief.
- The Company may be able to sell assets from its Mackenzie diamond property camp which proceeds would be used to defray the clean-up costs incurred in fiscal 2016.

In the longer term, Sanatana expects to address its funding needs through private placements but may not be able to do so on acceptable terms or at all. If the Company's share price improves, warrant holders may exercise their share purchase warrants, but there can be no assurance that they will do so. Sanatana had planned to undertake a private placement to raise gross proceeds of up to \$600,000 but the Company was unable to close the financing.

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Related Party Transactions

At December 31, 2015, the Company had four 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 CEO to pay a salary of \$15,000 per month which expired on December 31, 2015 and was not renewed.

The Company had a contract with its board chairman, Barry Fraser that provided for a monthly payment of \$8,000 until March 31, 2016 and the issuance of 1,500,000 options to purchase common shares at \$0.10 per share. The Company issued the 1,500,000 options to Mr. Fraser in March 2014. Sanatana was also committed to award options to Mr. Fraser to purchase 500,000 common shares. Mr. Fraser resigned as director and chairman in December 2015 and so the obligation to award options and pay compensation ended on his resignation.

The Company had an agreement that in the event that the Company reached a settlement with Trelawney, lamgold, or any of their affiliates regarding the Company's interests in the vicinity of the Côté gold deposit, or enters into a related transaction, the Company would pay a bonus to its former chairman. The bonus amount was to be determined as (a) 5% of any settlement or transaction amount up to \$10,000,000 (so the maximum amount payable under this part was \$500,000); and (b) 2.5% of the balance. The Company is attempting to settle the obligation to Mr. Fraser for a lower amount.

The Company has 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: 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 vest immediately on a change of control.

In the current fiscal year, the Company's CEO has funded critical operating expenditures. To December 31, 2015, he had advanced \$82,800. This amount does not bear interest or have fixed terms of repayment.

Contractual Obligations and Commitments

Particulars of the Company's contractual obligations and commitments at December 31, 2015 are disclosed in note 15 to the December 31, 2015 financial statements and *Liquidity and Related Party Transactions* above.

Share Capital

The Company had 127,761,073 common shares issued and outstanding at March 31, 2015 and at December 31, 2015.

Share Option Plan

Plan Description

The Company has a rolling share option plan that provides an incentive to directors, officers, employees, management and others who provide services to the Company. Under the option

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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.

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 of employment or other contracting arrangements of a director, officer, employee or consultant of the Company 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 December 2015.

Option Forfeitures and Expiry

In June 2015, option holders forfeited options to purchase up to 875,000 common shares at prices between \$0.10 and \$0.35 per share. In December 2015, an option holder forfeited options to purchase up to 1,100,000 common shares at prices between \$0.10 and \$0.35 per share. In February 2016, options to purchase up to 2,900,000 common shares expired unexercised.

Warrants

In August 2015, 8,830,000 warrants expired unexercised, in September 2015, 2,750,000 warrants expired unexercised and in October 2015, 625,000 warrants expired unexercised.

Dividends

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

Outstanding Share Information

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

- 127,761,073 common shares;
- 1,250,000 share purchase warrants; and
- 6,950,000 stock options.

Fully diluted share capital is therefore 135,961,073 common shares. If the proposed divestiture to TAAC completes, the Company will return 6,987,239 shares to treasury with the result that fully diluted shares will decrease to 128,973,834.

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.

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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 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 and diamonds. Resource prices are affected by factors beyond the 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

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and commitment of its management team, directors, advisors and contractors to ensure compliance with current laws and fosters a climate of open communication and cooperation 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.

Competing Interests with Trelawney

The Company's interests and those of Iamgold, Trelawney and TAAC (see *Watershed Property* above) are not necessarily aligned and, from time to time, it may be necessary for the Company to incur costs to defend its interests or risk an impairment of its assets. If the Company completes the planned divestiture of its Watershed Property, this will cease to be an issue.

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.

In order to advance the Green Lake property, the Company will have to reach an agreement with local communities regarding Company's rights to explore and develop the property. Sanatana has entered into discussions but not reached a satisfactory conclusion.

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 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

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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. For all regulatory filings including news releases, please refer to the Company's profile on www.sedar.com.