

SANATANA DIAMONDS INC.
For the six months ended September 30, 2006

Management's Discussion and Analysis

(All amounts stated in Canadian dollars, unless otherwise indicated)

This interim report, including the interim financial statements and this MD&A contains certain "Forward-Looking Statements", which are prospective and reflect management's expectations regarding Sanatana Diamonds Inc.'s ("Sanatana") 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 herein, including without limitation, statements regarding potential mineralization and 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 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.

Potential 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 discussion and analysis of the operating results and financial condition of Sanatana Diamonds Inc. ("**Sanatana**", or the "Company") for the six months ended September 30, 2006 should be read in conjunction with the interim financial statements for the same period, as well as the audited annual financial statements and related notes for the year ended March 31, 2006, and is intended to provide the reader with a review of the factors that affected the Company's performance during the six months ended September 30, 2006 and the factors reasonably expected to impact future operations and results.

The interim financial statements and related notes of Sanatana have been prepared in accordance with accounting principles generally accepted in Canada ("**Canadian GAAP**") and are expressed in Canadian dollars. All amounts in this report are in Canadian dollars, except where otherwise indicated.

Qualified Person

The Sanatana exploration programs are carried out under the supervision of Sanatana's Vice President Exploration, Mr. Buddy Doyle. Mr. Doyle meets the qualified person requirements (as defined by National Instrument 43-101) with more than 25 years of experience in the gold and diamond exploration industry and is responsible for the geoscientific and technical disclosure contained in this document.

Background

Sanatana was incorporated under the *Business Corporations Act* (British Columbia) on June 25, 2004. On July 28, 2005, the Company's common shares were admitted to the AIM Market of the London Stock Exchange plc under the symbol "**SAN**". On November 30, 2005, a receipt was issued for the Company's non-offering Prospectus, making the Company a reporting issuer in every province and territory of Canada, except Quebec. On May 17, 2006, the Company's common shares commenced trading on the TSX Venture Exchange (the "**Exchange**") under the symbol "**STA**". The Company is classified as a development stage company.

The Company's head office is at Suite 1925 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2 and it maintains a corporate office at Suite 500, 357 Bay Street, Toronto, Ontario, M5H 2T7.

Nature of Business

Sanatana's exploration activities are carried out solely in Canada, in the Northwest Territories and Nunavut, where the Company has carried out prospecting and exploration for diamonds at the Mackenzie Diamond Project since its incorporation in June 2004. The Mackenzie Diamond Project is located north of Great Bear Lake and approximately 700 kilometres northwest of Yellowknife. As at September 30, 2006, Sanatana had a total land package of 15,865,171 acres in the Northwest Territories and Nunavut.

The Company has an agreement with diamond producer, Rio Tinto's subsidiary, Kennecott Canada Exploration Inc.

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Till samples taken from Sanatana's MacKenzie Diamond Project have recovered kimberlite indicator mineral results and exploration continues on a number of potential kimberlite targets. To date, eight separate areas have been identified by Sanatana to have anomalous diamond indicator minerals in the glacial till. Each separate area is thought to represent a potential kimberlite field containing multiple kimberlite pipes.

In the six months ended September 30, 2006, Sanatana carried out an exploration program consisting of helicopter-borne magnetic surveys as well as ground magnetic surveys over numerous targets, including the Kilekale Lake area. These surveys were designed to follow-up the over 1,000 magnetic anomalies generated by the airborne surveys flown in 2005. Based on the data from this year's work program, the anomalies are being either upgraded to probable drill targets or discarded. Over 50% of the anomalies tested to date remain viable targets.

In the Kilekale Lake area, permitting to drill was granted, a drill camp was constructed and four magnetic targets were drill tested with eight drill holes (for a total of 1,226 metres). The magnetic targets tested were between 2.2 kilometres and 8.5 kilometres apart. Four drill holes were drilled into one target and these were spaced 70 metres apart. All the drill holes intersected black mudstones or orange weathered mudstones. No kimberlite was intersected.

The Company continues to work to obtain permits to drill in other areas; has progressed with a geophysical follow-up program; has conducted till sampling; and has completed a further claim staking program.

Significant Events and Transactions

On April 19, 2006, Sanatana received final receipts for its long form prospectus from the securities regulators in each of British Columbia, Alberta, Manitoba and Ontario and from the Exchange. On May 17, 2006, Sanatana's common shares commenced trading on the Exchange.

In July 2006, Kennecott Canada Exploration Inc. ("**Kennecott**") contributed \$2.5 million to the Company's 2006 exploration program. Kennecott has now earned a 15% interest in the Company's Mackenzie Diamond Project. The Company manages and operates the exploration programs, with joint venture partner Kennecott having the right to earn additional rights in any individual kimberlite project within the Company's Mackenzie Diamond Project on the following basis:

- Kennecott will earn a 49% interest in each individual project by completing, at its sole expense, a bulk sample and a positive feasibility study within 4 years; and
- Kennecott will earn a further 11% interest in each individual project by solely funding and managing all future evaluation through to such time as a decision to mine is made, provided that a decision to mine is made within twenty years of Kennecott earning the initial 49% interest in the individual project.

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Exploration Update

Recent developments

- The 2006 sampling program has been completed, with 2,800 samples being collected.
- Infill follow-up sampling around the Green Horne geochemical anomaly is also complete.
- Staking has been completed in the following areas, with a total of 1,222,181 acres being staked. The staking program is planned to continue in January 2007.
 - Green Horne River;
 - Plummers Great Bear Lodge;
 - The Southern end of the Hornby peninsular;
 - Yeltea/Ramparts; and
 - Around the Kilekale and Horton Lakes.
 - Priority sites around Colville Lake have also been staked.
- There was a helicopter accident during staking at Colville Lake as a result of engine failure. All five passengers were shaken, but no one was seriously hurt.

Sampling

The first round of the 2006 sampling program commenced in the Hornby Basin around Plummer's Great Bear Lodge and was completed in July 2006. Sampling then moved to Colville, Kilekale and Bekere. Preliminary results in the Green Horne River area enhanced this anomaly and led to a follow up program, with 150 samples being collected on a nominal 300 metre sample spacing.

Final probe results appear on schedule for completion in early 2007.

Drilling at the Kilekale Lake Targets

On April 24, 2006, the Company was issued final permits for drilling in the Kilekale Lake area, including permission to build a drill camp at Kilekale Lake. This area lies 15 kilometres north of Great Bear Lake and is one of 8 areas identified by Sanatana in the Mackenzie Diamond Project area that have drill ready potential kimberlite targets.

With the assistance and input from geophysicists from Kennecott, over 30 magnetic anomalies with some minor associated diamond indicator mineral counts were defined, all of which represented potential kimberlite targets. Based on the results of these geophysical studies, the relative ease of access to the property and the fact that a land use permit had been awarded to Sanatana, the decision was made to drill a number of the magnetic anomalies present in the Kilekale Lake area. A helicopter-borne low level magnetic survey over the Kilekale Lake area at 100 metre spacing was used to define 12 drill targets.

Drilling commenced on June 1, 2006 on an ice target located about 600 metres from the Kilekale Camp site. Four out of the 12 targets were drill tested with eight diamond drill holes (total 1,226 metres). No kimberlite was intercepted. The drill program was completed on June 26, 2006. All drill holes intercepted a poorly lithified mudstone. The overlying till depth varied

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form 18 metres to 42 metres. Seven of the drill holes passed into a bright red/orange/yellow weathered mudstone profile that persisted for approximately 40 metres before entering into fresh black mudstone. One drill hole went directly into fresh mudstone beneath the till. In most of the drill holes, two distinct till blankets were present, separated by a layer of glaciofluvial material. None of the material cored in the drill holes had sufficient magnetism to adequately explain the magnetic anomalies.

Sanatana's program is still in the early stages of exploration on this vast land holding and management will continue with its plan to examine thoroughly each of the eight separate areas that have been identified as potential kimberlite fields. The Company remains confident in the exploration potential of these areas and strongly believes that the experience gained through this early, limited, drill program will prove useful in ranking future potential drill targets. Sanatana has recently applied for additional drilling permits.

Reporting Period

At September 30, 2006, the Company had net working capital of \$9,465,144 (March 31, 2006: \$195,044).

Exploration Expenditures

Mineral exploration costs formed the bulk of the Company's expenditures in the period. These costs are set out in the following table:

| | Six months to September 30, 2006 | Year ended March 31, 2006 | June 2004 to March 31, 2005 |
|-----------------------------------|-------------------------------------|------------------------------|--------------------------------|
| Acquisition costs | 55,810 | 188,970 | - |
| Helicopter & fixed wing aircraft | 3,006,635 | 4,570,349 | 911,433 |
| Sampling and assays | 431,555 | 1,537,325 | 438,410 |
| Labour | 855,234 | 155,639 | 127,449 |
| Geological services | 988,556 | 837,203 | 670,396 |
| Project management fees | 42,000 | 304,432 | 195,565 |
| Field and camp | 389,139 | - | - |
| Transport and accommodation | 558,821 | - | - |
| Expediting | 205,722 | - | - |
| Other expenses | 18,959 | 128,758 | 235,293 |
| Reclamation provision | - | 120,000 | - |
| Total costs for the period | \$ 6,552,431 | \$ 7,787,003 | \$ 4,947,130 |
| Less: | | | |
| Reimbursable bonds and deposits | (2,130,439) | (55,673) | 2,368,584 |
| Kennecott option payment | (2,500,000) | (2,500,000) | - |
| Total cost to the Company | \$ 1,921,992 | \$ 5,287,003 | \$ 4,947,130 |

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These costs were incurred on the following primary components of the exploration program in the six months to September 30, 2006:

- geophysical activities, including helicopter-borne magnetic surveys as well as ground magnetic surveys (\$946,877);
- the largest sampling program ever undertaken by Sanatana, with 2,800 samples collected and in the process of analysis (\$2,399,205);
- a limited (8 hole) drilling program comprising 1,226 metres in the Kilekale Lake area (\$2,076,498); and
- an extensive airborne staking program, with 1,222,181 acres added to the project area (\$937,588).

The net loss for the three months ended September 2006 was \$177,580 compared with \$225,703 in the three months ended June 30, 2006 (fiscal 2006: \$190,069 and \$140,171 respectively). Included in the net loss for the three months ended September 30, 2006 (and the three months ended June 30, 2006) was \$36,029 (\$32,888) of professional fees, \$30,347 (\$15,809) of travel expenses and \$15,781 (\$15,468) of consulting and advisory fees. Significant new categories of costs in 2006 included filing fees of \$3,980 (\$25,208), investor relations of \$45,205 (\$13,437) and directors' fees of \$18,676 (\$18,516) following the Company's listing on the AIM Market of the London Stock Exchange in July 2005 and the Exchange in May 2006. Management fees in the most recent two quarters were \$57,397 (\$52,335) and office and administration expenses were \$43,102 (\$79,104), which in total is significantly higher than the comparable quarters of fiscal 2006 due to the higher level of exploration activities and resultant expansion of the office and management structure.

Summary of Results

(In thousands of Canadian dollars, except per share amounts)

| Fiscal Period | Revenue | Net Loss | Earnings / (Loss) per Share (\$) | | Total Assets | Total L.T. Liab. | Dividends |
|---------------|---------|--------------|----------------------------------|---------------|--------------|------------------|-----------|
| | | | Basic | Diluted | | | |
| 2007 – Q2 | - | 177 | (0.00) | (0.00) | 23,187 | - | - |
| 2007 – Q1 | - | 226 | (0.01) | (0.01) | 23,290 | - | - |
| Total | - | 403 | (0.01) | (0.01) | N/A | N/A | - |
| 2006 – Q4 | - | 405 | (0.01) | (0.01) | 11,436 | - | - |
| 2006 – Q3 | - | 299 | (0.01) | (0.01) | 11,257 | - | - |
| 2006 – Q2 | - | 190 | (0.01) | (0.01) | 11,759 | - | - |
| 2006 – Q1 | - | 140 | 0.00 | 0.00 | 7,920 | - | - |
| Total | - | 1,034 | (0.03) | (0.03) | N/A | N/A | - |
| 2005 – Q4 | - | 145 | (0.06) | (0.06) | 6,813 | - | - |
| 2005 – Q3 | - | 23 | 0.00 | 0.00 | N/A | N/A | - |
| 2005 – Q2 | - | 53 | (0.01) | (0.01) | N/A | N/A | - |
| 2005 – Q1 | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Total | - | 221 | (0.07) | (0.07) | N/A | N/A | - |

* The Company was incorporated on June 25, 2004.

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Liquidity

The following table summarizes the Company's cash flows and cash on hand:

| | September 30, 2006 | March 31, 2006 | March 31, 2005 |
|---|---------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| Cash and equivalents | 10,573,754 | 746,637 | 1,183,691 |
| Working capital | 9,465,144 | 195,044 | 1,168,375 |
| Cash (used in)/ generated by operating activities | 164,304 | (1,033,436) | (205,535) |
| Cash used in investing activities | (1,997,894) | (4,670,112) | (5,267,481) |
| Cash provided by financing activities | 11,660,707 | 5,266,494 | 6,656,707 |

During fiscal 2007, to date, \$11,474,357 (fiscal 2006: \$4,091,494) cash was raised, net of issue costs, through the issuance of common shares.

In conjunction with its listing on the Exchange, Sanatana completed a public offering of 7,142,857 flow-through common shares at a price of \$1.75 per common share on May 16, 2006, for gross proceeds of \$12.5 million through Canaccord Capital Corporation ("Canaccord"), as agent. Proceeds of this public offering are being used for exploration on Sanatana's Mackenzie Diamond Project. In consideration for services rendered in connection with this public offering, Sanatana paid Canaccord a cash commission equal to 6% of the gross proceeds, granted agent's warrants to acquire up to 428,571 non-flow-through common shares at an exercise price of \$1.75 per common share for a period of up to 24 months, issued 100,000 non flow-through common shares to Canaccord at an issue price of \$1.75 per share, and paid Canaccord's reasonable expenses in connection with the public offering as well as an administration fee of \$7,500.

Changes to the Board of Directors and Management

There were no changes to the Board of Directors of senior management in the period.

Critical Accounting Policies and Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. These estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The Company's significant accounting policies are those that affect the financial statements and are summarized in Note 2 of the audited annual financial statements for the year ended March 31, 2006. Critical accounting policies and estimates in the period included capitalization of the costs relating to the acquisition, exploration and development of non-producing resource properties and the recognition of impairment of those assets, the valuation of warrants and tax accounts contingent liabilities, and the choice of Generally Accepted Accounting Principles.

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Risks & Uncertainties

Sanatana's business of exploring for diamonds 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, and Sanatana's common shares should be considered speculative.

Nature of Mineral Exploration and Development Projects

The business of exploring for diamonds involves a high degree of risk. Few properties that are explored are ultimately developed into mines. Sanatana's properties are in the exploration stage and at present none of the Company's properties have a known commercial diamond deposit. Proposed exploration programs are an exploratory search 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 the exploration for diamonds, 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 standards and continuous improvement, Sanatana works to reduce these risks.

The Company's operations are also subject to the additional risks associated with the short exploration season in the Northwest Territories and Nunavut. With ice and snow cover in the remote Mackenzie Diamond Project area from October to June, the Company's exploration program is dependent upon sufficient logistical support, including camps and fuel caches, to allow productive exploration activities during the brief arctic summer. A breakdown in logistical support could severely curtail the Company's planned exploration program.

In the event the Company is fortunate enough to discover a diamond deposit, the economics of commercial production depend on many factors, including the cost of operations, the size, quantity and quality of the diamonds, proximity to infrastructure, financing costs and Government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of diamonds 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 diamond production.

The profitability of the Company's operations will be dependent, inter alia, on the market price of diamonds. Diamond prices are affected by numerous factors beyond the control of the Company, including international economic and political conditions, levels of supply and demand, the policies of the Diamond Trading Company and international currency exchange rates.

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Success in establishing reserves is a 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, it may take several years in the initial phases of drilling 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.

Financing risk, until such time as the Company is cash flow positive

In the absence of cash flow from operations, Sanatana relies on the capital markets to fund operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional finance could result in delay or the indefinite postponement of further exploration and the development of the Company's properties.

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, their advisors, its employees 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 such regulation, 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 Properties. To the extent such approvals are required and not obtained, the Company's planned exploration, development and production 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. Aboriginal land claim settlements are more advanced in the Northwest Territories than they are in most other areas of Canada. The Mackenzie Diamond Project area is located in the Gwich'in, Sahtu and Inuvialuit settlement regions. With the exception of the Gwich'in Comprehensive Land Claim Agreement, Sahtu Dene and Metis Comprehensive Land Claim Agreement, and the Inuvialuit Final Agreement pertaining to certain areas in the Northwest Territories, the Company is not aware of any aboriginal land claims

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having been asserted or any legal actions relating to aboriginal issues having been instituted with respect to any of the Mackenzie Diamond Project area.

Conflicts of Interest

Certain of the Company's directors, officers and significant shareholders are or may become shareholders, directors and/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 by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

For a more complete description of the uncertainties and risk factors faced by the Company, please refer to Management's Discussion and Analysis of the audited annual financial statements for the year ended March 31, 2006.

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Related Party Transactions

At September 30, 2006, the Company did not have any employees, but had arrangements with a number of contractors to provide most of the administrative, accounting, and management services required. Certain directors and significant shareholders provided management and consulting services to the Company.

Management Agreements in the period to September 30, 2006:

| \$ | Misape Mgt | Peter Miles | 1693467 Ontario | 1704805 Ontario | St George Minerals | Totals |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------|
| Administration fees | - | - | - | - | - | - |
| Consulting fees | - | - | - | - | 40,142 ⁽⁵⁾ | 40,142 |
| Management Services | 39,000 ⁽¹⁾ | 33,000 ⁽²⁾ | 27,060 ⁽³⁾ | 19,219 ⁽⁴⁾ | - | 118,279 |
| Totals | 39,000 | 33,000 | 27,060 | 19,219 | 40,142 | 158,421 |

- 1 Fees paid or accrued to a management company, which has a common director of the Company. The director provides management and technical services.
- 2 Mr. Peter Miles provides financial and management services.
- 3 Fees paid or accrued for financial and management services performed by a company, which is controlled by an officer of the Company.
- 4 Fees paid or accrued for investor relations services performed by a company, which is controlled by an officer of the Company.
- 5 Fees paid or accrued for financial and administrative services performed by a company, which has a common director of the Company.
- 6 In addition to the above, fees for directors totalled \$37,192.

Contractual Obligations and Commitments

- a. Sanatana had no capital expenditure commitments as at September 30, 2006 (fiscal 2006: nil).
- b. Under the terms of non-cancellable operating leases, the Company is committed to rental payments as follows (Canadian Dollars):

| | 2007 | 2008 | 2009 |
|---------------------------|-------------|-------------|-------------|
| Operating Leases (office) | 37,297 | 74,595 | 68,379 |

Off-Balance Sheet Arrangements and Contingent Liabilities

Kennecott deposited a \$5 million letter of credit on the Company's behalf to fulfil bonding requirements for the 2006/2007 exploration season.

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Outlook

The next year is expected to be an important period for the Company. Exploration results will be received over the next several months from the summer 2006 exploration program and will be incorporated into the Company's database. Additional geophysics, utilizing closer spacing, will be undertaken to potentially develop new drill targets, particularly near the Company's "Greenhorn" anomaly. Pending the results of the additional geophysics and other exploration methods that the Company may use, it is anticipated that the Company will permit and undertake two drilling programs in the calendar year 2007. It should be noted that per the Company's agreement with Kennecott Canada Exploration Inc., as of January 1, 2007 Kennecott will be responsible for 15% of ongoing exploration costs that the Company incurs on its Mackenzie Diamond Project.

For additional information, please refer to the Company's website at www.sanatanadiamonds.com and for regulatory filings, including news releases, please refer to www.SEDAR.com.

Subsequent Events

On November 15, 2006, the Board of Directors of Sanatana announced the resignations of Richard Prickett, as director and Chairman, Merfyn Roberts as director, and Glenn Laing, as director, President and Chief Executive Officer. The Board of Directors wishes to express its thanks to Richard, Merfyn and Glenn for their invaluable contributions to Sanatana these past 18-months and wishes them well in their endeavours.

The Board of Directors also announced the appointment of Edward Marlow as Non-Executive Chairman, Peter Miles as President and Chief Executive Officer and Buddy Doyle, the Company's Vice President of Exploration, as Director. Harley Hotchkiss remains a Non-Executive Director of the Company.

Mr. Miles will perform his new duties on a full time basis from the Company's Vancouver office.

Supplement to the Financial Statements

As at November 28, 2006, the following items were issued and outstanding:

- 40,849,651 common shares;
- No common share purchase options; and
- 428,571 share purchase warrants with an exercise price of \$1.75 per share and an expiry date of May 15, 2008.

November 29, 2006