SANATANA DIAMONDS INC.
For the six months ended September 30, 2007

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") contains certain forward-looking statements that are prospective and reflect management's expectations regarding Sanatana Diamonds 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 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 (the "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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For the Six Months Ended September 30, 2007
Management's Discussion and Analysis

Introduction

This MD&A has been prepared as of November 28, 2007 and should be read in conjunction with the audited annual financial statements and related notes for the year ended March 31, 2007 and the unaudited interim financial statements and related notes for the period ended September 30, 2007 of Sanatana. This MD&A is intended to provide the reader with a review of the Company's performance for the six months ended September 30, 2007 and through to the date of this report, and the factors reasonably expected to impact future operations and results.

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

Outlook

The Company discovered its first kimberlite, the "Dharma Kimberlite" on September 30, 2007. The discovery was achieved by drill testing a prominent magnetic anomaly at the head of an indicator train in the Greenhorn area. Approximately one tonne of kimberlite was sent to the laboratory at Kennecott Canada Exploration Inc. ("Kennecott") in Thunder Bay for caustic fusion testing for diamonds. Indicator minerals from the till down ice of this kimberlite are diamond permissive. The Company would like to emphasize that this is the first kimberlite. It is rare that kimberlites occur by themselves, they usually occur in groupings called fields and the average population of kimberlite in a field is 30. The Company therefore expects to find more kimberlites in the Greenhorn area. However, the Greenhorn project is just one of at least six widely separate areas where the dispersion of indicator minerals suggests other kimberlite fields will be discovered. The Company believes the Dharma Kimberlite discovery proves Sanatana's exploration strategy and is confident that the discovery represents the first of more to come.

Qualified Person

Sanatana's exploration programs are carried out under the supervision of the Company's vice president of 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 Companies Act* (British Columbia) on June 25, 2004. On July 28, 2005, the Company's common shares were admitted to the Alternative Investment Market of the London Stock Exchange plc. ("AIM") 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 Exchange under the symbol "STA". The Exchange classifies the Company as a mining exploration/development company. The Company's nominated adviser on AIM is currently Insinger de Beaufort. Since Insinger de Beaufort plans to cease acting as a nominated adviser for public companies, the Company is in discussions with other groups to assume this role.

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The Company's head office is at Suite 1925 - 925 West Georgia Street, Vancouver, British Columbia, V6C 3L2.

Nature of Business

Since its inception in June 2004, Sanatana's exploration activities have been carried out solely in the Northwest Territories and Nunavut, Canada, where the Company prospected and explored for diamonds at the Mackenzie Platform. The Company's exploration project is located north of Great Bear Lake and approximately 700 kilometres northwest of Yellowknife. Sanatana currently holds approximately 5.9 million acres of ground under claims and permits, reduced from 16.5 million acres last year, as the Company further focused on selected geochemical and geophysical targets. The primary strategy of the Company is to capture the majority share of a potential new diamond region in Canada. The initial large land holding was secured on the basis that the Company's neighbouring explorer, Diamondex Inc., reported the recovery of diamonds from the Iroquois and Anderson River systems, indicating the entire Mackenzie Platform might be prospective for diamonds. The positive diamond indicator mineral results obtained by Sanatana to date are evidence that this strategy is sound.

Technical Note: A Brief Explanation of Diamond Exploration:

Scientific studies have shown that diamonds are formed at high pressures and temperatures deep in the Earth's mantle, and can be preserved under older, colder parts of continents. The diamonds sit at this depth for eons after they are formed until they are picked up and brought to the surface by deep-seated magmas that erupt to make small volcanoes and craters. The most common of these diamond bearing magmas are called kimberlite. This volcanic rock type makes up most of the world's diamond mines. Kimberlites form dykes, pipes and craters, can vary in size from one metre to 2.5 kilometres across and usually occur in swarms. This means that where one kimberlite is found, one will usually find many others. Kimberlites have occurred throughout earth's history but tend to form in pulses.

Once the eruption is finished and everything is cool and quiet, erosional processes take over and the minerals in the kimberlite, including diamonds, are dispersed. Most exploration companies look for minerals, called indicator minerals, occurring with the diamond rather than the diamonds directly as indicator minerals are of an order of magnitude more abundant and therefore less expensive to find. These minerals (pyrope garnet, picro-ilmenite, chrome diopside, chromite) were made at the same high temperatures and pressures as diamonds. Their chemistry is unique; no other minerals found on the surface of the earth share this chemistry. When these unique indicator minerals are found, it is considered direct evidence of diamond mineralization.

In the Canadian Arctic, where Sanatana is exploring, there was, until some 10,000 years ago, a great ice sheet originating near Hudson's Bay. The ice movement caused by this sheet eroded the kimberlites and spread the indicator minerals and diamonds "down-ice" in a direction away from the centre of the ice.

Sanatana has been exploring the Mackenzie Platform area for diamonds by sampling the glacial till for indicator minerals. The Company has found a number of areas from which these minerals seem to be originating.

Once a source area of indicator minerals is isolated, the Company conducts geophysical testing from the air and on the ground looking for the pipe-like or circular features that may represent kimberlite. These features are then drill tested.

If kimberlite is encountered during drilling, it is then assayed for diamonds. Given positive results, the process would then proceed to bulk sampling for grade and value, feasibility, permitting and then to mining.

The Sanatana-Kennecott Joint Venture

The Company has a joint venture agreement with diamond producer Kennecott Canada, a subsidiary of Rio Tinto plc. Pursuant to the joint venture, Sanatana acts as the operator and Kennecott has a 15% interest (refer to Significant Events and Transactions below). In addition, Kennecott has provided the services of a geologist and a geophysicist, who are both experienced in diamond exploration, to Sanatana.

Exploration Programs

Till samples taken from Sanatana's Mackenzie diamond project have identified six separate areas as having anomalous diamond indicator minerals in glacial till. Each separate area is thought to represent a potential kimberlite field containing multiple kimberlite pipes.

During the 2006 season, Sanatana carried out follow-up exploration programs on the six project areas which consisted 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 on some of the over 1,000 magnetic anomalies generated by the airborne surveys in 2005. Based on data from the 2006 work program, the anomalies are either being upgraded to probable drill targets or discarded. Over 50% of the anomalies tested to date remain viable targets.

In the Kilekale Lake area, permission to drill has been granted, a drill camp has been constructed and four magnetic targets have been drill tested with eight diamond 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 spaced 70 metres apart. All the drill holes intersected black mudstones or orange weathered mudstones. No kimberlite was intersected.

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

Significant Events and Transactions

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

In July 2006, Kennecott contributed $2.5 million to the Company's 2006 exploration program. On January 1, 2007, Kennecott earned a 15% interest in Sanatana's Mackenzie diamond project, which is now run as a joint venture. The Company manages and operates the exploration programs and Kennecott has the right to earn additional rights in any individual kimberlite project within the Company's Mackenzie diamond project on the following basis:

- Kennecott may earn up to an additional 49% interest (15% plus up to 34% for a 49% total interest) in each individual project by completing, at its sole expense, a bulk sample and positive feasibility study within four years; and

- Kennecott may earn a further 11% interest (in addition to the 49% interest for a maximum 60% total 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 20 years of Kennecott earning an initial 49% interest in the individual project.

Exploration Update

Highlights

- The Dharma Kimberlite was discovered on the Greenhorn project.
- 1000 kilograms of kimberlite has been sent to Kennecott's Thunder Bay laboratory for microdiamond caustic fusion analysis.
- A 4,300 line kilometre survey has been completed in the Greenhorn area to aid in the search for more kimberlites.
- Ground geophysical surveys have highlighted several other targets in the Greenhorn area which the Company will drill test in the first quarter of 2008.
- The summer exploration program was completed and 1,200 till samples were collected. This program was mainly designed to follow-up and focus in on the source of the known indicator anomalies.
- The most prominent till anomalies sites are known as:
  - Greenhorn
  - Yeltea
  - Horton
  - Colville
  - Simpson
  - Estabrook

  These sites all contain indicator minerals with chemistry that is positive for diamond mineralization.
- The Company obtained a land use permit for drill testing multiple targets in the Greenhorn area.

- The ground geophysical crews recently completed magnetic surveys in the Simpson area which appear to show the characteristics of kimberlite. This area has now been slated for drill testing. The Company will conduct further surveys and apply for a land use permit in the area.

Sampling

The Greenhorn, Yeltea and Simpson indicator anomalies were prioritized due to their higher indicator mineral counts and the presence of abundant fosteritic olivine. Of all diamond indicator minerals, olivine is the most susceptible to chemical and physical weathering and its presence suggests that the Company may be close to source. During its summer exploration program in these areas, the Company took 1,200 follow-up till samples to further define the source areas. Results are expected in early 2008.

Land position

The Company's land holdings are continually changing based on drilling results, exploration and Canada's mining regulations. The Company initially held ground in the form of prospecting permits and, at the beginning of 2006, its area held under permits totalled 16.5 million acres. Prospecting permits located below 68 degrees latitude have a three-year life and many of these expired in 2006. The Company staked mineral claims in this zone over areas of interest during 2006. In total, helicopter-supported crews staked 1,222,281 acres of mineral claims. North of 68 degrees latitude, map permits have a five-year life and the Company's permits will not expire until 2009. Currently, the Company holds 5.9 million acres of mineral rights. Sanatana plans to stake additional areas of interest north of 68 degrees latitude over the next two years.

Airborne and ground follow-up surveys

In March 2007, the Company deployed a helicopter-based EM and magnetometer survey over the Greenhorn, Yeltea and Simpson areas using 100 metre line spacing, of which, final results were received in May 2007. This survey was designed to locate the source of diamond indicators. Ground geophysical crews followed up on several targets in the Greenhorn area prior to and during the spring melt and generated drill targets focused on magnetic anomalies. The most prominent of these, dubbed "G14", is a 250 metre by 130 metre isolated magnetic anomaly that is at the termination of a major indicator mineral train. This was the target tested which led to the Dharma Kimberlite discovery.

Drilling programmes

In August 2007, the Company was awarded a land and water use permit required to commence drilling at Greenhorn. A camp was constructed and drilling commenced. Drill testing of the G14 magnetic anomaly led to the discovery of the Dharma Kimberlite. Drilling was shut down with the onset of seasonal freezing. The Company intends to bring the drill back in the first quarter of 2008 to test other geophysical targets in the area.

The Company holds a drill permit around the Kilekale Lake area but camp was dismantled at this location for use in the Greenhorn program. Upon final clean up of this campsite, the Company will seek to close this land use permit and will await the 2008 thaw to make a last inspection of the ground.

The Company also holds a land and water use permit in the area around Colville Lake. This permit allows Sanatana to drill up to 30 magnetic targets situated within a 60-kilometre radius of the hamlet of Colville Lake. The Company took till samples down ice from many of these targets during its summer sampling program. Results from these samples will prioritize the Company's drilling targets for the 2008 season.

The Company has begun preparations to obtain a land and water use permit in the Simpson area, by arranging community consultations at Paulatuk.

Base Metal Potential

During the Company's till sampling program, which was designed to find diamonds and their indicator minerals, Sanatana directed a portion of its samples to multi-element trace element analysis. This work revealed five separate areas with elevated zinc (>250 ppm), lead and silver in the till. The highest zinc value found in the till to date is 0.3%. Up to 360 ppm of lead and up to 1.4 ppm of silver were also recorded. Ground traverses in one of these areas have recovered galena and sulphide float. The zinc anomalies appear to be associated within Ordovician limestone. Elsewhere, these same limestones host known mineralization such as the Pine Point, Polaris and Nanasivik, all past producers of lead, zinc and silver. This style of mineralization is known as Mississippi Valley and the Company is using this model to find the source of the anomalies and float.

Budget

The budget for the 2007 exploration program is $6.1 million.

1. 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 ended Sept. 30, 2007 $	Year ended March 31, 2007 $	June 2004 to March 31, 2006 $
Acquisition costs	$ 108,573	$ 232,830	$ 188,970
Helicopter and fixed wing aircraft	1,547,509	3,978,563	4,491,768
Sampling and assays	(53,475)	1,383,889	1,975,735
Labour	1,259,315	1,307,662	283,088
Geological services	-	1,256,014	1,507,599
Project management fees	39,000	76,000	499,997
Field and camp	241,180	646,045	196,037
Transport and accommodation	377,961	895,568	734,339
Expediting	45,197	327,412	116,110
Other expenses	39,803	35,007	307,579
Reclamation provision	-	-	120,000
	3,605,063	10,138,990	10,421,222
Reimbursable bonds and deposits	(280,237)	(1,853,938)	2,312,911
Kennecott option and contribution payments	(200,000)	(2,500,000)	(2,500,000)
Net cost to the Company	$ 3,124,826	$ 5,785,052	$ 10,234,133

During the six months ended September 30, 2007, the Company recovered $73,723 in respect of 2006 lab sampling that was done incorrectly, resulting in an overall recovery for "sampling and assays" in the current year to date.

2. Selected Quarterly Financial Data (unaudited)

	Sept. 30 2007	June 30 2007	March 31 2007	Dec. 31 2006
Financial Results	$	$	$	$
Net loss for the period	(210,074)	(196,962)	(252,200)	(201,281)
Basic and diluted loss per share	(0.00)	(0.00)	(0.01)	(0.00)
Balance Sheet Data				
Cash and short term deposits	2,373,801	3,560,890	5,572,786	7,77,347
Mineral properties	19,144,011	17,688,321	16,019,185	14,251,589

	Sept. 30 2006	June 30 2006	March 31 2006	Dec. 31 2005
Financial Results	**$**	**$**	**$**	**$**
Net loss for the period	(177,580)	(225,703)	(404,663)	(298,795)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.01)
Balance Sheet Data				
Cash and short term deposits	10,573,754	10,150,992	746,637	2,993,207
Mineral properties	12,156,125	12,557,266	10,234,133	8,192,462

The Company is an exploration stage company and it did not have any sales or revenues, nor has it had any extraordinary items or discontinued operations. 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 corporate activity and are also affected by factors which may not recur each quarter.

The Company's operating loss is relatively constant from period to period. In the quarter ended December 31, 2005, the Company's loss increased from the prior quarter due to higher consulting and advisory fees and professional fees relating to its application for listing on the Exchange.

The losses increased in the quarter ended March 31, 2006 from the quarter ended December 31, 2005 due to year-end accruals and further expenses incurred towards a listing on the Exchange.

In the quarter ended June 30, 2006, the Company's common shares commenced trading on the Exchange. The loss in the quarter decreased from the previous quarter as there were no further expenses relating to the listing and fell back to within a normal quarterly range of $175,000 to $250,000.

The quarterly loss decreased in the quarter ended September 30, 2006, attributable only to higher interest income earned on short-term deposits.

For the quarter ended December 31, 2006, the Company's loss increased due to higher travel expenses attributable to management visits to the project area, attendance of directors at in-person board meetings, and attendance at an industry-focussed conference in London, UK. The Company also incurred significantly higher management fees and office and administration expenses than those in the comparable quarters of fiscal 2006 due to the higher level of exploration activities and resultant expansion of office facilities and management structure. These higher costs were offset by lower investor relations expenses, as compared to the previous quarter.

The loss for the quarter ended March 31, 2007 increased because of higher travel and accommodation expenses, year-end professional fee accruals and reduced interest income from short-term deposits. In the quarter ended June 30, 2007, the loss decreased as travel decreased and there was no need to accrue an audit fee. In the quarter ended September 30, 2007, the loss increased slightly; a decrease in stock-based compensation was offset by higher travel and accommodation costs due to fundraising activities.

3. Results of Operations for the Six Months Ended September 30, 2007

The net loss for the six months ended September 30, 2007 was $407,036 (2006 - $403,283). For the six months ended September 30, 2007, the following expenses exhibited only minor variances compared to the corresponding six months ended September 30, 2006: amortization $14,028 (2006 - $10,570); consulting and advisory fees $33,490 (2006 - $31,249); office and administration expenses $128,048 (2006 - $122,206); and transfer agent fees $16,961 (2006 - $19,413).

Some other expense items were more variable and warrant further discussion.

A decrease in director fees, $31,409 (2006 - $37,192) is due to the reduction of the size of the board of directors from six people to five in November 2006.

For the six months ended September 30, 2007, the decrease in professional fees $38,623 (2006 - $68,917) is primarily caused by a variance in 2006 audit fees, which were higher than expected for the year ended March 31, 2006. The expense in excess of the 2006 fiscal year-end accrual was recognized in the quarter ended June 30, 2006.

Stock-based compensation of $99,251 (2006 - $nil) represents recognition of the fair value of stock options granted over their vesting term, calculated using the Black-Scholes option-pricing model. There was no stock-based compensation expense in the prior period, as the Company did not grant options until March 2007.

As a consequence of the Company's decision to migrate investor relations in-house effective beginning of 2007, the $nil figure for the six month's ending September 30, 2007, (2006 - $58,642) is indicative of the termination of contractual relationships with outside investor relations firms. The Company decided that the president will handle the investor relations function directly, given the relatively small size of the Company.

4. Results of Operations for the Three Months Ended September 30, 2007

The loss for the three-month period ended September 30, 2007 was $210,074. Expenses were broadly similar to the previous quarter, although travel costs increased as a result of undertaking an investor-oriented road trip and stock-based compensation fell, largely because the share price dropped, with a corresponding reduction on the value of options vesting.

5. Liquidity

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

As at	**Sept. 30, 2007** $	**March 31, 2007** $
Cash and equivalents	2,373,801	5,572,786
Working capital	1,714,030	5,161,131

For the quarter ended	**Sept. 30, 2007** $	**Sept. 30, 2006** $
Cash generated by (used in) operating activities	(45,651)	164,304
Cash used in investing activities	(3,153,344)	(1,997,894)
Cash provided by financing activities	-	11,660,707
	(3,198,985)	9,827,117

In the six months ended September 30, 2007, cash used in operating activities of $45,641 was largely accounted for by the loss for the period of $407,036, offset by changes in working capital balances, in particular, accrual of accounts payable.

Cash used in investing activities represented exploration advances of $32,444 (2006 - $43,989) and acquisition of mineral properties totalling $3,320,902 (2006 - $4,416,915). During the period Kennecott paid $200,000 in contribution towards exploration expenditures. In the comparative period ended September 30, 2006, Kennecott made a $2,500,000 option payment.

The Company did not generate any cash from financing activities in the current period, but generated gross proceeds of $12,500,000 from a share offering in the comparative period in 2006.

The Company has sufficient cash on hand to complete its 2007 drilling and analysis program, and to begin its spring 2008 drilling program. It will be necessary for the Company to raise additional funds in the spring of 2008. The Company's activities have been funded primarily through equity financing and the Company expects that it will continue to be able to employ this form of financing. There can be no assurance, however, 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.

6. Share Capital

The Company had a total of 40,849,651 common shares issued and outstanding as at March 31, 2007 and September 30, 2007. The Company did not issue any shares during the six months ended September 30, 2007.

Escrowed Shares

Under the Canadian Securities Administrator's National policy and the Exchange policy for Sanatana's initial public offering, 13,803,373 of the Company's shares were subject to escrow at the time the shares were first listed on the Exchange. These escrowed shares are to be released over a three-year automatic time-release in equal tranches of 15% of the holdings at 6-month intervals, and with 10% of the holdings exempt from escrow on the date the Company's shares were first listed on the Exchange. The anniversary dates for escrow release are May 16 and November 16 of each year. On both May 16, 2007 and November 16, 2007, 2,070,506 shares were released from escrow; as of the date of this MD&A, 6,211,518 common shares (March 31, 2007 - 10,352,530 common shares) remain in escrow.

Stock Option Plans

In 2005, the Company's shareholders approved a stock option plan (the "2005 Option Plan") which is a "rolling" plan that provides for the issuance to directors, officers, consultants and employees of the Company of up to 10% of the common shares of the Company that have been issued and are outstanding at the date of the stock option grant. The 2005 Option Plan was amended and restated in 2006 to comply with the requirements of the Exchange; however, it is governed by the laws of England.

On July 18, 2007, the Company's shareholders approved a new stock option plan (the "2007 Option Plan") which is also a "rolling" plan that provides for the issuance to directors, officers, consultants and employees of the Company (under the 2005 Option Plan) of up to 10% of the common shares of the Company that have been issued and are outstanding at the date of the stock option grant. Unlike the 2005 Option Plan, the 2007 Option Plan is governed by the laws of British Columbia.

Stock options are non-transferable and expire at the end of five years from the date of grant, or 90 days after the termination of employment or other contracting arrangement of the option holder. The board of directors of the Company determines the exercise price, which may be no less than the market price at the day of grant.

On March 26, 2007, the Company granted a total of 3,170,000 stock options to its directors, officers, employees and consultants, exercisable for a period of five years. 2,000,000 of the options were granted at a price of $1.40 and 1,170,000 were granted at a price of $0.75 per common share. These options will vest three years from the date of grant.

On July 18, 2007, the Company granted 300,000 stock options to an officer, exercisable for a period of five years at a price of $0.75 per common share.

Dividends

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

7. Changes to the Board of Directors and Management

Board of Director Changes

There were no changes to the board of directors during the six months ended September 30, 2007.

Management Changes

Following the resignation of Mr. Stephen Woodhead as chief financial officer, Mr. Simon Anderson assumed the position of chief financial officer for Sanatana effective June 30, 2007.

8. Adoption of New Accounting Pronouncements

Effective April 1, 2007, Sanatana adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"): "Comprehensive Income" (Section 1530), "Financial Instruments – Recognition and Measurement" (Section 3855) and "Financial Instruments – Disclosure and Presentation" (Section 3861).

- Comprehensive Income (Section 1530) involves changes in a company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders. It includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments.

- Financial Instruments – Recognition and Measurement (Section 3855) requires that all financial assets, except those classified as held to maturity, and derivative financial instruments be measured at fair value. Fair values are determined directly by reference to published price quotations in an active market. Changes in the fair value of these instruments are reflected in other comprehensive income and included as a component of shareholder's equity in the balance sheet. All financial liabilities must be measured at fair value when they are classified as held-for-trading; otherwise they are measured at cost or amortized cost.

- Financial Instruments – Disclosure and Presentation (Section 3861) establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. As required, prior periods have not been revised except to classify unrealized foreign currency transaction gains or losses related to foreign operations in accumulated other comprehensive income.

Adoption of these accounting standards is not expected to have a material effect on the Company's financial position and results of operations.

9. Risks and 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 therefore be considered speculative.

Nature of Mineral Exploration and Development Projects

The business of diamond exploration 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 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 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.

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, 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. 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 having been asserted or any legal actions relating to aboriginal issues having been instituted with respect to any of the land located within 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, 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.

10. Related Party Transactions

For the six months ended September 30, 2007, the Company did not have any employees. Rather, the Company has arrangements with a number of 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.

Management agreements for the six months ended September 30, 2007:

	MCSI Consulting Services Inc. $	Peter Miles $	Lithosphere Services Inc. $	St. George Minerals Ltd. $	Total for the Period $
Consulting fees	4,170[(4)]	-	-	35,642[(3)]	39,812
Rent	-	-	-	9,000	9,000
Management services	-	33,000[(1)]	39,000[(2)]	-	72,000
	4,170	33,000	39,000	44,642	120,812

[(1)] Mr. Miles, a director and officer of the Company, provides financial and management services to the Company.
[(2)] Fees paid or accrued for technical services performed by a company controlled by a director and officer of the Company.
[(3)] Fees paid or accrued for financial and administrative services performed by a company controlled by a former director of the Company.
[(4)] MCSI Consulting Services Inc., a company in which an officer of the Company holds a 50% interest, provides the services of the Company's chief financial officer.
[(5)] In addition to the above, fees for directors of the Company totalled $31,409 for the period.

11. Contractual Obligations and Commitments

Under the terms of non-cancellable operating leases, the Company is committed to rental payments as follows:

	2008	2009
Operating lease (office)	$ 37,200	$ 62,000

Under the terms of the flow-through financing of $12,500,000 that completed in May 2006, Sanatana is restricted to using these proceeds only for qualifying exploration expenditures relating to Canadian properties. Sanatana has renounced $6,095,958 of tax benefits to subscribers and, through to September 30, 2007, incurred a further $4,906,251 in exploration expenditures. The Company must spend the remaining $1,497,791 on qualifying exploration expenditures by May 31, 2008.

Under the terms of the flow-through financing of $2,000,700 that completed in October 2007, Sanatana is restricted to using these proceeds only for qualifying exploration expenditures relating to Canadian properties. Income tax law requires that the Company spend these funds on qualifying exploration expenditures by October 31, 2009, or the Company will incur penalties.

12. Off-Balance Sheet Arrangements and Contingent Liabilities

Kennecott had deposited a letter of credit in the amount of $283,320 on the Company's behalf to fulfil bonding requirements for the 2007 exploration season.

13. Outstanding Share Information

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

- 54,365,071 common shares, including 6,211,518 escrowed common shares;
- 3,470,000 stock options; and
- 7,186,281 share purchase warrants.

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