SANATANA RESOURCES INC.

Formerly Sanatana Diamonds Inc.

Management's Discussion and Analysis

September 30, 2011

Suite 1925 - 925 West Georgia Street
Vancouver, British Columbia V6C 3L2

Telephone: 604-408-6680

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 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.

Introduction

This MD&A has been prepared as of November 24, 2011 and should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes for the period ended September 30, 2011 and the audited annual financial statements and related notes for the year ended March 31, 2011. This MD&A is intended to provide the reader with a review of the Company's performance for the six months ended September 30, 2011 and through to the date of this report, and the factors reasonably expected to impact future operations and results.

As of April 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS"). The Company's unaudited condensed interim financial statements for the six-month period ending September 30, 2011 have been prepared in accordance with *IAS 34 – Interim Financial Reporting* ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee.

The accounting policies have been selected to be consistent with IFRS as is expected to be effective on March 31, 2012, the Company's first annual IFRS reporting date. These unaudited condensed interim financial statements do not include all of the information required for full annual financial statements. Previously, the Company prepared its interim and annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's fiscal 2011 comparatives in this MD&A have been presented in accordance with IFRS. This MD&A contains forward-looking statements that are subject to risk factors set out above. All figures are in Canadian dollars unless otherwise noted.

Incorporation and Listing Information

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

Operating Report

The Company is an exploration stage company and is focused on the acquisition, exploration and development of exploration and evaluation assets. The Company has an option to acquire the Watershed property in Ontario, a letter of intent to acquire the Boulder Claims gold exploration property in Yukon, and has the Mackenzie diamond mineral property rights in the Northwest Territories.

The Company is currently focused on the Watershed property. The Company is considering further work on the Boulder Claims, but has not undertaken significant activity on these claims. Given current market conditions for diamond exploration, the Company's exploration results at the Mackenzie property do not warrant further work at this time. See *Exploration and Evaluation Assets* below.

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

Corporate Developments

- In October 2011, the Company reported positive channel sampling gold results and commenced drilling on its Watershed property.
- In June 2011, the Company began exploration work on its Watershed property.
- In April 2011, the Company changed its name to Sanatana Resources Inc.

Exploration and Evaluation Assets

Watershed Property

Option Agreement

In February 2011, the Company entered into a definitive option and joint venture agreement with Augen Gold Corp. ("Augen"), which was subsequently acquired by Trelawney Mining and Exploration Inc. ("Trelawney") and is a wholly owned subsidiary of Trelawney. The option and joint venture agreement grants the Company the option to acquire up to a 51% undivided interest in the 46 mineral concessions (the "Claims") and the right of first refusal to acquire an additional nine mineral concessions (the "ROFR Claims") described in further detail below. The Company may earn a 50% undivided interest in the Claims (the "50% Interest") by completing the following:

Date	Cash Payment $	Common Shares	Cumulative Expenditures $
By April 2, 2011	150,000 [1]	2,000,000 [1]	-
By March 23, 2012	-	1,500,000	1,000,000 [2]
By March 23, 2013	-	1,500,000	2,500,000
By March 23, 2014	-	-	5,000,000
	150,000	5,000,000	

Notes:
[1] Paid / issued.
[2] Cumulative expenditures to September 30, 2011 were $800,000.

If the Company earns the 50% Interest, the parties will enter into a joint venture agreement with respect to the Claims. The Company will have the right to earn a further 1% interest (for a total interest of 51%) in the Claims by completing and delivering to Augen a pre-feasibility study by March 23, 2016.

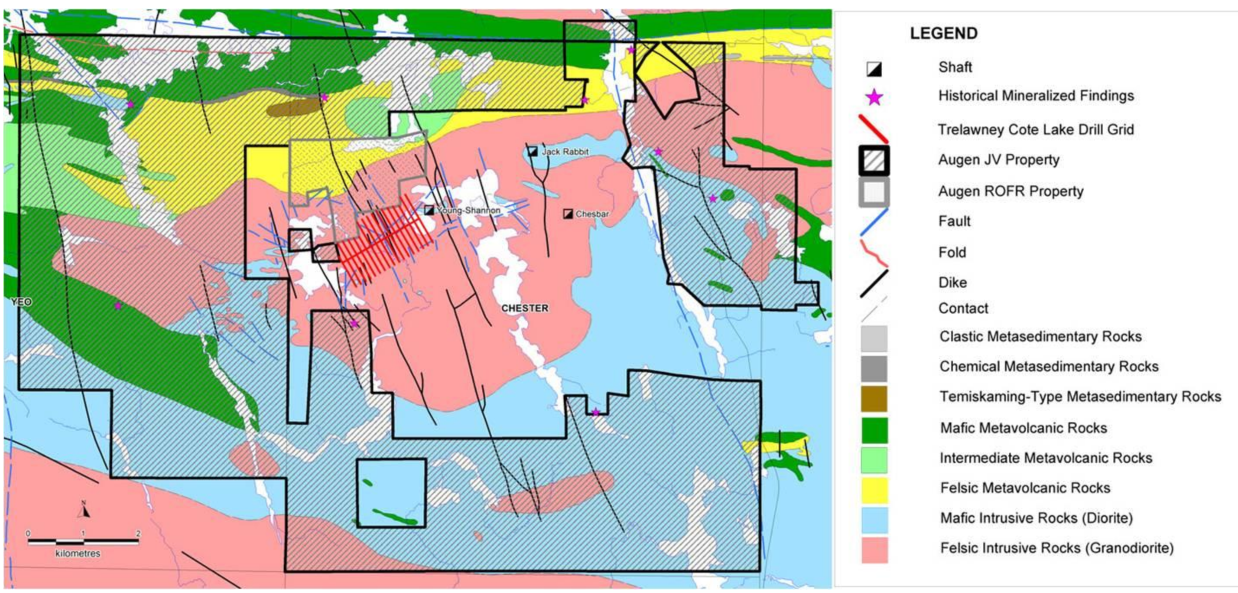
The option and joint venture agreement includes a provision that while the Company and Augen are parties to an option or joint venture, with respect to the Claims or the ROFR Claims, Augen has the option to purchase up to 10% of any securities issued in any equity offerings by the Company on the same terms and conditions of such offering.

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

Property Description

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

Figure 1: Watershed Property Claims



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

Exploration Activities

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

In 2007, Augen completed an airborne magnetic and EM survey on its South Swayze property, which at the time included the Company's current Watershed property. The information was used to produce maps that display magnetic, conductive and radiometric properties of the underlying bedrock. The EM anomalies fall into four general categories: the first type consists of discrete, well-defined anomalies, which are usually attributed to conductive sulphides or graphite, but could also represent near vertical faults or shears, the second type consists of moderately broad responses that are flat dipping and may represent conductive rock units, zones of deep weathering or alteration zones, the third type of anomaly includes anomalies associated with magnetite and the fourth type of anomaly represents cultural anomalies. The EM survey identified more than 500 weak to strong bedrock conductors over the survey area.

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

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

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

Sanatana has completed the outcrop stripping and sampling program over selected IP anomalies over all three areas. At Clam Lake the Company completed five trenches traversing two separate IP anomalies. Rock grab samples from the newly exposed bedrock returned elevated gold values of up to 3.09 g/t. Continuous channel sampling across the IP anomaly on three trenches spaced 50 metres returned elevated gold values of up to 6.18 g/t. Results greater than 1 g/t include (also see the Company's news release of October 19, 2011):

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

Grab and channel sampling results from stripping of other areas are still pending.

In addition, the Company has commenced detailed geological mapping, prospecting and systematic geochemical sampling over the entire property area. This work is focused on the IP survey areas and the stripping completed there to provide geological control for the geophysics. New areas of interest brought to light by this work will become the focus of future drill programs.

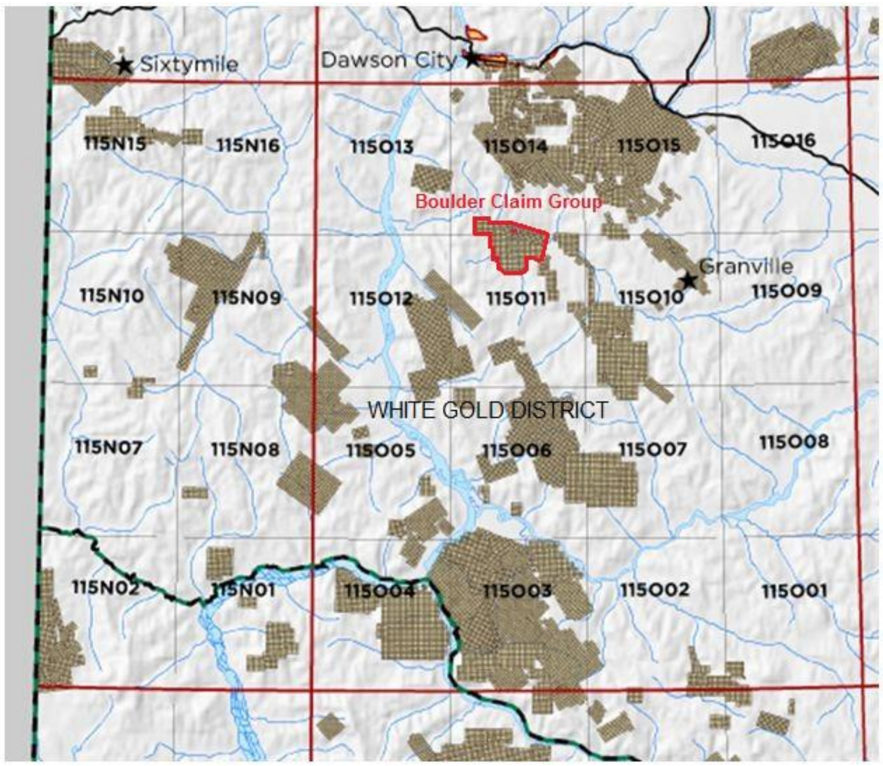
A planned five-drill hole, 2,500-metre drill programmed has commenced at the Clam Lake mineral claim #3011820. The planned drilling program comprises approximately five drill holes of 500 metres over three lines spaced 100 metres apart testing the two discreet apparent resistivity anomalies identified by the EarthProbe IP survey. The drill holes will be positioned up to 75 metres north of the target at surface and angled to the south at 60° along the IP survey line designed to intersect the apparent resistivity anomaly at depth. To date one drill hole located on the furthest eastern line has been completed to a depth of 575 metres downhole. The second drill hole is still underway at a depth of 635 metres. The drill core is being logged for lithology, alteration, structure and signs of mineralization prior to cutting and sampling of the entire drill hole length. Sample intervals will be selected based on geological boundaries using a minimum of 0.5 metre and maximum 1.5 metre and a regular 1.0 metre within geological units. The samples from the drill core are being submitted to AGAT Laboratories, Sudbury.

The technical information included was reviewed and approved by Troy Gill, Exploration Manager for the Company, a "qualified person" under National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

Boulder Claim Group

The Boulder Claim Group is located in the White Gold District in Yukon:

Figure 2: Location of Boulder Claim Group



The Company completed a reconnaissance field mapping and prospecting program at the Boulder Claim Group, located in the White Gold District, Yukon, during August 2010. The program involved fact mapping of bedrock outcrops and surface cover along existing roads and trails across the property as well as visiting selected locations on the surrounding hills by helicopter and collecting representative samples of the rocks. The Company also collected samples of placer material and sluice concentrates to gain some background data on gold affinity and distribution across the property. Fifty-three samples were submitted for ICP multi-element analysis and other processing including mineral observation and microprobe geochemical analysis.

Based on the geological map and rock sample results of the first reconnaissance program, the Company undertook a second bedrock mapping and sampling field program in September 2010. In ten days of field work the mapping was extended to all areas of the property by traversing creeks and ridgelines. The Company collected 66 bedrock samples that it had analyzed for gold and trace elements by fire assay and ICP methods.

Although the Company sampled quartz veining and visually altered looking country rocks, no significant precious or base metal results were returned. The highest bedrock gold value was 0.26 g/t. Placer gold analysis by microprobe showed two groups of nuggets with distinctly different fineness values: one had high fineness and the other significantly less. The higher fineness gold is finer grained and flattened and interpreted to be transported over a greater distance. The morphology of the lower fineness placer gold implied a more proximal source. This was the most important finding of the reconnaissance fieldwork as it provided the Company with some confidence that there might be a bedrock gold source within the placer catchment area on the property. Unfortunately, the exploration program did not identify the location of a bedrock gold source, if it exists. The expenditure value for this package of work has now been filed for assessment against the Boulder Claim Group and if fully accepted will ensure the claim group remains in good standing for the next five years. The Company may return to this property if new information comes to light and any further work can be coordinated with another of the Company's exploration programs.

Mackenzie Project

The Company's principal project from inception to 2010 was the Mackenzie project in the Northwest Territories, where the Company holds 136,000 hectares under mineral claims in areas indicating anomalous till samples. The Company identified several geochemical diamond indicator anomalies that have been systematically explored. While the Company found two diamondiferous kimberlites, the deposits were not large enough to be commercially viable.

The Company has a joint venture agreement with diamond producer Rio Tinto Exploration Canada Inc. ("Rio Tinto"), which is a subsidiary of the Rio Tinto Group. The Company is the joint venture operator and Rio Tinto has a 15% interest in the Company's Mackenzie diamond project, which can be increased to a maximum of 60% based on certain milestones. Rio Tinto elected not to participate in the Company's summer 2010 exploration program resulting in its interest being diluted, although the amount of dilution to date has not been material.

Since the Company has not been able to raise funds for diamond exploration without incurring undue share capital dilution, and given the lack of exploration success combined with Rio Tinto's decision to dilute its interest, the Company suspended exploration at the Mackenzie project.

The Company's land holdings are subject to exploration results expenditures and Canada's Mining Regulations. The Company initially held a large area of ground in the form of prospecting permits and, based on exploration results, the Company focused on the most prospective areas and now holds mineral claims covering 136,000 hectares. Many of these claims have had sufficient exploration expenditure to see them kept in good standing until the end of the ten-year term. At or before that time the Company has the option of converting all or part of those claims mining leases. Other claims will require further expenditure in the coming years to keep them active. An annual expenditure of $2 per acre ($5 per hectare) is required to keep mineral claims in good standing under Canada's Mining Regulations. Over time, the Company will either have to (1) undertake further exploration work; (2) pay fees under Canada's Mining Regulations; or (3) forgo mineral claims. Since suspending exploration, when the Company's tenure on a specific area has expired, the Company has opted to forgo its mineral claims rather than spend money to extend its rights.

Exploration Budget

The Company has budgeted expenditures of $1,700,000 for the 2011-2012 exploration program on the Watershed property, of which it had spent $800,000 to September 30, 2011. The Company does not plan to undertake any significant exploration work this year on the Boulder Claims or Mackenzie property.

Financial

Exploration and Evaluation Expenditures

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

	Six Months Ended September 30, 2011 $	Year Ended March 31, 2011 $
Accounting principles	IFRS	IFRS
Watershed property		
Acquisition costs	50,250	850,000
Contractor and consultant	626,536	22,562
Helicopter and fixed wing aircraft	13,007	-
Expediting	5,216	-
Project management fees	53,855	27,000
Field and camp	22,746	2,000
Transport and accommodation	27,052	-
Permitting and other	661	-
Increase in carrying value	799,323	901,562
Mackenzie property		
Total exploration costs for the period	-	132,277
Impairment	-	(2,882,737)
Rio Tinto contribution payments	-	(111,265)
Decrease in carrying value	-	(2,861,725)
Boulder claims		
Total exploration costs for the period	15,777	247,161
Impairment	-	(247,161)
Increase in carrying value	15,777	-
All exploration and evaluation assets		
Net change in carrying value	815,100	(1,960,163)

During fiscal 2011, the Company completed reviews of the Mackenzie and Boulder Claims projects, which considered exploration success and market conditions. In fiscal 2011, the Company recorded a total impairment provision of $3,130,000, representing substantially all of those assets' carrying value.

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	Accounting Principles	Cash and Equivalents	Exploration and Evaluation Assets [2]	Loss for the Quarter	Loss per Share [3] (Basic and Diluted)
		$	$	$	$
December 31, 2009	GAAP	3,063,436	18,658,157	(178,337)	(0.00)
March 31, 2010	GAAP	2,801,892	2,930,072	(13,287,585)	(0.21)
June 30, 2010	IFRS	2,478,438	2,979,807	(210,723)	(0.00)
September 30, 2010	IFRS	2,270,078	100,000	(3,176,586)	(0.05)
December 31, 2010	IFRS	3,793,021	68,347	(248,838)	(0.00)
March 31, 2011	IFRS	4,210,157	969,909	(1,252,080)	(0.01)
June 30, 2011	IFRS	3,718,811	1,408,905	(275,620)	(0.00)
September 30, 2011	IFRS	3,200,426	1,785,009	(259,999)	(0.00)

1 IFRS = International Financial Reporting Standards; GAAP = Canadian generally accepted accounting principles
2 Certain periods have been restated to reflect the reclassification of refundable deposits as a separate financial statement line item.
3 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.

The Company's quarterly operating loss has typically been between $175,000 and $275,000. In recent quarters, the Company became more active with the signing of the Watershed option and accordingly has incurred additional expenses. Variations from the normal level of operating loss include:

- March 31, 2010 – The Company recorded a $15,867,000 impairment against its exploration and evaluation assets, which was partially offset by a future income tax recovery.
- September 30, 2010 – The Company recorded a $3,060,000 impairment of its exploration and evaluation assets.
- December 31, 2010 – The Company incurred property investigation costs of $123,000 and costs associated with abandoned claims of $35,000 as it moved forward to consider new projects.

- March 31, 2011 – The Company awarded share purchase options with a fair value of $502,000 and incurred higher costs due to expanded operations on the Watershed property.
- June 30, 2011 – The Company recognized share-based compensation expense of $103,000.

Results of Operations

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

- Depreciation was previously allocated between operations (which was expensed) and exploration activities (which was capitalized). Following the decision to suspend exploration on the Mackenzie project in fiscal 2011, the Company has charged all depreciation of equipment to operations resulting in an increase in depreciation expense.
- Directors, including executive directors, are paid $10,000 annually; the chairman of the board is paid $20,000. Director fees were less in the comparative period because two members of management who are also on the board agreed to forgo their director fees while the Company's financial future was uncertain. The Company reinstated these fees effective January 1, 2011.
- Investor relations expenses relate to investor communications, including maintaining and updating the website and disseminating news releases.
- Management fees and salaries represent amounts paid to officers, employees and contractors and related benefits, net of amounts capitalized to exploration and evaluation assets or allocated to property investigation costs.
- Professional fees were paid to lawyers and auditors. Legal fees increased in the current period due to activity on the Watershed property and the Company incurred audit fees in relation to the adoption of IFRS, resulting in an increase in professional fees in the current period.
- Property investigation costs represent travel, direct geological labour and consulting costs to assess prospective acquisitions. During the current period, the Company undertook some property investigation in the Northwest Territories.
- Rent relates to the Company's office premises and a storage locker.
- Share-based payments represents the fair value of stock options that recognized over their vesting term, calculated using the Black-Scholes option-pricing model. See note 9 of the Company's September 30, 2011 financial statements for further particulars.
- 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.
- Abandoned claim costs relate to expenses incurred to complete exploration work on the Piche Lake property, which was written off effective March 31, 2010.

Liquidity

The following table summarizes the Company's cash on hand, working capital and cash flow (all in accordance with IFRS):

As at	September 30, 2011 $	March 31, 2011 $
Cash and equivalents	3,200,426	4,210,157
Working capital	3,085,411	4,111,617
Period ended	September 30, 2011 $	September 30, 2010 $
Cash used in operating activities	(382,869)	(340,395)
Cash used in investing activities	(716,936)	(191,419)
Cash provided by financing activities	90,074	-
Change in cash and equivalents	(1,009,731)	(531,814)

In the six months ended September 30, 2011, cash used in operating activities was largely accounted for by the loss for the period net of depreciation and share-based compensation, which do not directly involve cash.

Cash used in investing activities was represented by expenditures on exploration and evaluation assets partially offset by a recovery of bonds and deposits and interest income.

The Company expects that operating expenses and investment in exploration and evaluation assets will increase for the balance of calendar 2011 due to the exploration program under way and the obligation to expend the remaining $925,000 of flow-through offering proceeds by December 31, 2011. The Company projects it has sufficient cash and equivalents at the date of this MD&A to last at least 12 months.

At the date of this MD&A, the Company has 3,623,724 share purchase warrants outstanding that are exercisable at $0.25 per share with expiry dates between December 30, 2011 and January 14, 2012, but the Company cannot count on these warrants being exercised before they expire.

Historically, the Company's activities were funded primarily through equity financing and contributions from Rio Tinto. Following suspension of exploration on the Mackenzie property, the Company does not expect to receive funds from Rio Tinto and must rely on equity financing. The Company expects that it will continue to be able to continue with obtaining funds from equity financing but there can be no assurance that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

Related Party Transactions

At September 30, 2011, the Company had three employees and arrangements with contractors to provide certain administrative, accounting and management services. In addition, certain directors, officers and significant shareholders provide management and consulting services to the Company. The Company has a contract with its chief executive officer which provides for monthly compensation of $11,000 with six months notice or payment lieu of notice. Particulars of related party transactions are disclosed in note 10 of the September 30, 2011 financial statements.

In the comparative period, the Company received reimbursement of exploration expenses from Rio Tinto (which was a shareholder), as described in more detail in notes 6 and 10 of the September 30, 2011 financial statements.

Contractual Obligations and Commitments

Particulars of the Company's contractual obligations and commitments are disclosed in note 13 to the September 30, 2011 financial statements.

Share Capital

The Company had 82,184,749 common shares issued and outstanding at September 30, 2011 and 81,585,172 common shares issued and outstanding at March 31, 2011.

Share Option Plan

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

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

In October 2011, the Company granted 400,000 incentive options to consultants and an employee at an exercise price of $0.50 per share for a period of five years.

In October 2011, the Company formally cancelled 250,000 options previously granted in February 2011 with an exercise price of $0.30. These options had previously lapsed since the contractor was no longer providing services to the Company.

Shares Issued and Share Purchase Warrants

In the six months ended September 30, 2011, warrant holders exercised 95,000 financing warrants and 265,294 broker warrants for proceeds of $90,000.

In September 2011, the Company issued 239,283 common shares under a finders' fee agreement regarding the Watershed property.

In October and November 2011, a further 138,235 broker warrants were exercised for gross proceeds of $34,000.

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:

- 82,322,984 common shares;
- warrants to purchase 3,535,487 common shares; and
- 7,060,000 stock options.

Fully diluted share capital is therefore 92,918,471 common shares.

Changes to the Board of Directors and Management

During the six months ended September 30, 2011, Harley Hotchkiss, one of the Company's directors, passed away. The Company has not yet appointed another director in his place.

Risks and Uncertainties

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

Capital Markets and Economic Uncertainty

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

Nature of Mineral Exploration and Development Projects

The business of mineral exploration involves a high degree of risk. Few of the properties that are explored are ultimately developed into mines. Sanatana's properties are in the exploration stage; at present the Mackenzie project does not have a known commercial diamond deposit and the Watershed and Boulder Claims properties are not known to have any valuable mineralization. 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 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.

The Company's operations are also subject to the additional risks associated with the short exploration season in certain parts of Canada. In particular, the Company's Mackenzie property exploration programs are 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 an exploration program.

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

The profitability of the Company's operations will be dependent on the market price of the resources it is seeking, currently gold 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, international currency exchange rates and, in the case of diamonds, the policies of the Diamond Trading Company.

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

Licenses and Permits, Laws and Regulations

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

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

Claim Titles and Aboriginal Rights

Aboriginal rights may be claimed on Crown properties or other types of tenure with respect to which mining rights have been conferred. 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 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.

International Financial Reporting Standards

Effective with the beginning of the fiscal 2012 reporting year, the Company now prepares financial statements under IFRS. The Company has completed its evaluation of the impact of IFRS on its financial accounting and reporting systems and has prepared accounting information under IFRS for comparative purposes effective April 1, 2010.

The condensed unaudited interim financial statements for the three months ending June 30, 2011, have been prepared in accordance with IAS 34, using accounting policies consistent with IFRS. These are the Company's first financial statements prepared in accordance with IAS 34 using accounting policies consistent with IFRS. Previously the Company prepared its annual and interim financial statements in accordance with Canadian GAAP.

The accounting policies listed below have been applied consistently to all of the periods presented in the financial statements. They have also been applied in preparing an opening IFRS statement of financial position as at April 1, 2010, for the purpose of transition to IFRS, as required by *IFRS 1, First Time Adoption of International Reporting Standards* ("IFRS 1").

Impact of Adopting IFRS on the Company's Business

The adoption of IFRS has resulted in some changes to the Company's accounting systems and business processes; however, the impact has been minimal and substantially all of the required changes were made in advance of the transition. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS.

The Company's officers and staff involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies. The board of directors and audit committee have been regularly updated throughout the Company's IFRS transition process and are aware of the key aspects of IFRS affecting the Company.

Impact of Adopting IFRS on the Company's Accounting Policies

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment, which are discussed in note 16 of Sanatana's June 30, 2011 financial statements.

The Company has changed certain accounting policies to be consistent with IFRS effective March 31, 2012, the Company's first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets equity and expenses within its financial statements. The following IFRS standards have the most significant impact on the Company:

IFRS 2 – Share Based Payments

Both Canadian GAAP and *IFRS 2 – Share Based Payments,* measure share-based compensation related to share purchase options at the fair value of the options granted. The Company has used the Black-Scholes option-pricing model and recognized this expense over the vesting period of the options. Under Canadian GAAP, the Company recognized the expense evenly over the vesting period. Under IFRS, the Company employs "graded vesting" the result that the expense is recognized more quickly. In addition, under IFRS 2, the definition of an employee is broader allowing the Company to group employees and others providing similar services together.

IFRS 6 - Exploration and Evaluation of Mineral Resources

Both Canadian GAAP and *IFRS 6 – Exploration and Evaluation of Mineral Resources* permit an exploration company to expense or capitalize exploration costs in certain circumstances. The Company capitalized exploration costs under Canadian GAAP and plans to continue doing so under IFRS.

IAS 16 – Property and equipment

Under the cost method, IAS 16 requires property equipment to be separated into its significant components and depreciated according to the useful life of those particular components. IAS 16 also requires the depreciation to commence when an asset is "available for use", which is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Furthermore, under IFRS, the cost of major overhauls on items of property and equipment is capitalized as a component of the related item of property and equipment and depreciated over the period until next major overhaul.

Management's analysis of the Company's property and equipment concluded the Company's drill equipment can be separated into components that have different lives. As a result, the asset are being amortized more slowly under IFRS.

IAS 36 – Impairment of Assets

The need to address impairment is substantially the same as under Canadian GAAP. There is a difference, however, in how the impairment amount is quantified. IAS 36 uses a one-step approach for testing and measuring asset impairments, with asset carrying values being compared to the higher of (1) value in use; and (2) fair value less costs to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value less costs to sell may also be determined using discount cash flows. Canadian GAAP uses undiscounted future cash flows are compared to the asset's carrying value to determine if impairment exists.

The difference between the one-step (IFRS) and two-step (Canadian GAAP) approaches to determining whether an impairment has occurred does not have a bearing on Sanatana's exploration and evaluation assets as the Company made a determination at March 31, 2010 to test for impairment under Canadian GAAP. Given that the Company's exploration and evaluation assets are not readily comparable to other mineral properties and since it is not practical to determine a cash exchange value, the Company used its market capitalization to determined fair value. The Company has used the Canadian GAAP fair value as the basis for its IFRS opening carrying value.

IFRS requires impairment to be reversed if the underlying assumptions have changed. An increase in the Company's market capitalization could result in an increase in the carrying value of exploration and evaluation assets, assuming there were no other impairment considerations in the interim.

Flow-through Share Offerings

Current Canadian tax legislation permits mining entities to issue flow-through shares to investors. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to resource exploration and evaluation expenditures may be claimed by investors instead of the entity. Under Canadian GAAP, in accordance with EIC-146 *Flow-through Shares,* a deferred tax liability was recognized on the date that the Company filed renouncement documents with the Canadian tax authorities assuming there is reasonable assurance the expenditures will be made.

Under IFRS, the issue of flow-through shares is treated as two transactions: an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The Company analyzed the flow-through share issuance in fiscal 2011 and noted that as the market value was equal to the price of the flow-through units, no liability was incurred on issuance of the flow-through shares.

Please refer to note 3 of the June 30, 2011 condensed interim financial statements for a summary of the Company's accounting policies to be consistent with IFRS effective March 31, 2012, the Company's first annual IFRS reporting date. Note 16 of the June 30, 2011 financial statements and note 15 of the September 30, 2011 financial statements provide further information on the transition to IFRS including initial exemptions on the adoption of IFRS and reconciliations of comparative period balances from Canadian GAAP to IFRS.

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.