SANATANA DIAMONDS INC.
For the Nine Months Ended December 31, 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.

Introduction

This MD&A has been prepared as of February 25, 2008 and should be read in conjunction with the Company's 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 nine months ended December 31, 2007. This MD&A is intended to provide the reader with a review of the Company's performance for the nine months ended December 31, 2007 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. One tonne of kimberlite was sent to the laboratory at Kennecott Canada Exploration Inc. ("Kennecott") in Thunder Bay for caustic fusion testing for diamonds. Encouragingly this sample returned diamonds including a relatively large 0.55ct stone. This bodes well for finding more diamondiferous kimberlites in the Greenhorn area and provides strong evidence that the entire ground holding is prospective. We have, in effect, proved that the Mackenzie terrain (craton) is diamond-bearing. When the Company returns to the field to explore in 2008, the initial emphasis will be to look for more kimberlites around the Dharma discovery. 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 Greenhorn project is just one of at least six separate areas contained within the Company's Mackenzie diamond project where the dispersion of indicator minerals suggests other kimberlite fields will be discovered and later in the year the Company's exploration focus will be directed towards these. The Company believes the Dharma Kimberlite discovery proves Sanatana's exploration strategy is sound.

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 26 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 Seymour Pierce Limited.

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 as of December 31, 2007 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. Further reductions will occur in 2008 as certain target areas selected. 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 discovery of the diamondiferous Dharma kimberlite pipe and numerous positive diamond indicator mineral anomalies obtained by Sanatana to date are evidence that this strategy is sound.

> *Technical Note: A Brief Explanation of Diamond Exploration:*
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> *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.*
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> *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.*
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> *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, 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 over the last four years 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. The chemistry from these indicator minerals shows that they where formed at the same pressures and temperatures as diamonds.

On September 30, 2007 the Company discovered the Dharma Kimberlite by drill testing a magnetic anomaly that occurred at the head of an indicator mineral train in the Greenhorn area. Subsequent analysis of the core showed this kimberlite to be diamondiferous. The results are shown in Table 1 below.

TABLE 1: Diamond distribution in CIM sieves (mm)

Combined Weight (kg)	0.106 Sieve	0.15 Sieve	0.212 Sieve	0.3 Sieve	0.425 Sieve	0.6 Sieve	0.85 Sieve	1.18 Sieve	1.7 Sieve	2.36 Sieve	3.35 Sieve	TOTAL
1008.9	220	138	94	38	24	17	3	0	1	0	1	536

This discovery not only proves that the Dharma kimberlite is diamondiferous, but also that our exploration strategy is working. Most significantly, it indicates that the postulated Mackenzie craton is diamondiferous.

The Company had one unsuccessful drilling program in 2006 in the Kilkale area where the drill targeted magnetic anomalies. These targets had no supporting indicator mineral anomaly. The

Company has since changed focus to testing only areas where geophysical anomalies and indictor minerals are coincident.

Significant Events and Transactions

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.
- Caustic fusion has shown this kimberlite to be significantly diamondiferous with a relatively large 0.55ct stone being recovered from this relatively small sample.
- A 4,300 line kilometre airborne magnetic survey (the sulky 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.
- Sanatana completed its summer 2007 exploration program and collected 1,200 till samples. 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 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, Colville 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. More than half of the results have been received and preliminary analysis shows that this sampling is confirming and enhancing all these area. The sampling down ice of magnetic anomalies in the Colville area has highlighted a number of these targets and down graded others. This will greatly aid the Company's planned 2008 drilling program.

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. In October 2008 the company flew a 4200 kilometre magnetic survey, designated the "sulky survey" which encompassed the area of interest around the Greenhorn area. The survey has revealed more kimberlite targets.

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 during September and drilling commenced on September 30, 2007. The Dharma kimberlite was intersected on October 1, 2007. Three holes where drilled into this target to obtain a one tonne caustic fusion sample. 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.

Discovery: Diamond Results

In total, 536 diamonds greater than 0.106 millimetres have been recovered. Table 1 below shows the stone size distribution for this group of samples.

TABLE 1: Diamond distribution in CIM sieves (mm)

Combined Weight (kg)	0.106 Sieve	0.15 Sieve	0.212 Sieve	0.3 Sieve	0.425 Sieve	0.6 Sieve	0.85 Sieve	1.18 Sieve	1.7 Sieve	2.36 Sieve	3.35 Sieve	TOTAL
1008.9	220	138	94	38	24	17	3	0	1	0	1[1]	536

1 This diamond measured 5.10 x 4.50 x 3.5 mm and weighed 0.55 carats; it is described as an octahedral aggregate, grey in colour and translucent. The five stones that sit above the 0.85mm sieve weigh, in aggregate, 0.76 carats. The results between the separate holes and batches appear consistent. There are multiple kimberlitic phases within the Dharma kimberlite and some of the caustic fusion samples have two to three times the average stone count of the other samples. It is too early to see any pattern to this stone distribution. The diamonds are described as being 54% white in colour and 32% have octahedral crystal habits. The largest stone weighed 0.55 carats and measured 5.1 x 4.5 x 3.5 mm, falling on a 3.35mm sieve. The Dharma kimberlite was intersected by four drill holes. The first hole was vertical, 180 metres in length and ended in kimberlite. The second was a 60 degree angle hole collared from the same location on an azimuth of 335 degrees that exited kimberlite at 43 metres into the country-rock, dolomite. The third hole, a vertical hole collared approximately 10 metres to the east, ended at 208 metres in kimberlite. The fourth hole, collared from the location of the third hole angled at 60 degrees on a due east azimuth, exited kimberlite after five metres. The samples were taken from the first three holes.

Management sees this as a most welcome result which is not only significant in its own right (more drilling is planned to determine size) but shows that exploration strategy four years in the making is beginning to bear fruit and hopefully portends further discoveries in the future, not only in the Greenhorn area but elsewhere in our land holdings. The reasons for this optimism is that kimberlites rarely occur alone, but in families, so we can expect more in the Greenhorn area. Also, once a terrain is proven to be diamondiferous it can be inferred that the whole terrain will have diamond potential. This idea is reinforced by the presence of separate indicator mineral anomalies in our land holdings. These indicator minerals have chemistry consistent with diamond mineralization.

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 and initial estimates show this to be on track. For 2008, the Company plans to spend $9.2 million on exploration, although this may be increased depending if there are further successes.

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:

	Nine Months Ended December 31, 2007 $	Year Ended March 31, 2007 $	June 2004 to March 31, 2006 $
Acquisition costs	$ 5,925	$ 232,830	$ 188,970
Helicopter and fixed wing aircraft	2,229,429	3,978,563	4,491,768
Sampling and assays	366,168	1,383,889	1,975,735
Labour	1,615,131	1,307,662	283,088
Geological services	22,000	1,256,014	1,507,599
Project management fees	39,000	76,000	499,997
Field and camp	363,618	646,045	196,037
Transport and accommodation	507,117	895,568	734,339
Expediting	63,182	327,412	116,110
Other expenses	54,703	35,007	307,579
Reclamation provision	-	-	120,000
	5,266,273	10,138,990	10,421,222
Reimbursable bonds and deposits	(162,128)	(1,853,938)	2,312,911
Kennecott option and contribution payments	(200,000)	(2,500,000)	(2,500,000)
Net expenditures	$ 4,904,145	$ 5,785,052	$ 10,234,133

During the nine months ended December 31, 2007, the Company recovered $73,723 in respect of 2006 lab sampling that was done incorrectly, resulting in "sampling and assays" in the current year to date reflecting a lower number than sampling activity would suggest.

2. Selected Quarterly Financial Data

Quarter Ended	Cash and short term deposits	Mineral Properties	Loss for the Quarter	Loss per Share Basic and Fully Diluted
March 31, 2006	746,637	10,234,133	(404,663)	(0.01
June 30, 2006	10,150,992	12,557,266	(225,703)	(0.01
September 30, 2006	10,573,754	12,156,125	(177,580)	(0.00
December 31, 2006	7,277,347	14,251,589	(201,281)	(0.00
March 31, 2007	5,572,786	16,019,185	(252,200)	(0.01
June 30, 2007	3,560,890	17,688,321	(196,962)	(0.00
September 30, 2007	2,373,801	19,144,011	(210,074)	(0.00
December 31, 2007	3,632,878	20,923,330	(557,223)	(0.01

The Company is an exploration stage company and did not have 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 corporate activity and are also affected by factors which may not recur each quarter.

The losses increased in the quarter ended March 31, 2006 from the quarter ended December 31, 2005 due to year-end accruals and 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.

The significant increase in the loss for the quarter ended December 31, 2007 was primarily attributable to stock-based compensation, although this

3. Results of Operations for the Nine Months Ended December 31, 2007

The net loss for the nine months ended December 31, 2007 was $964,259 (2006 - $604,564). For the nine months ended December 31, 2007, many expenses did not change significantly. Some operating items were more variable and warrant further discussion.

- Since the beginning of 2007, the Company has not incurred any investor relations expense after bringing these activities in-house. The Company's president now handles the investor relations function directly.

- Management fees decreased because the Company had a bigger management team in the prior year.

- Professional fees decreased as the prior year included listing-related professional costs in addition to the normal expense.

- Stock-based compensation of $614,251 (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.

- Interest income decreased because the Company has less cash invested.

- The Company generated a future income tax recovery of $134,000. This represented a reduction in future income taxes attributable to flow-through financings as a result of reductions in the federal income tax rate. There was no such provision in the comparative period.

4. Results of Operations for the Three Months Ended December 31, 2007

The loss for the three-month period ended December 31, 2007 was $557,223. Most expenses were broadly similar to the previous quarter, although travel costs decreased as expenses returned to a normal level after high travel costs in the prior quarter. Stock-based compensation increased significantly, largely because the Company's share price increased from $0.25 at September 30, 2007 to $1.80 at December 31, 2007, with a corresponding increase in the value of options. The Company generated a future income tax recovery of $134,000 as a result of declines in income tax rates.

5. Changes in Financial Condition Since Last Year End

The main changes in the Company's financial condition since March 31, 2007 are:

- Cash has decreased by $1,939,908 reflecting net fundraising of $3,385,684, offset by exploration expenditures and administrative expenses.
- Mineral properties increased by $4,904,145 on account of exploration activities at the Company's Mackenzie diamond project.
- Future income taxes increased by $2,475,983 representing the future tax liability resulting from the Company renouncing expenditures in favour of investors.
- Common shares increased by $682,494. The Company undertook an equity raise in the period, but, effective December 31, 2007, renounced expenditures in favour of flow-through investors. The resulting future income tax liability is treated as an offering cost at the time the expenditures are renounced.
- Contributed surplus increased by $614,251 being the value of stock-based compensation recognized in the period.
- Deficit increased by $964,259 as a result of the Company's loss for the period.

6. Liquidity

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

As at	December 31, 2007 $	March 31, 2007 $
Cash and equivalents	3,632,878	5,572,786
Working capital	3,203,518	5,161,131

For the nine-month period ended	December 31, 2007 $	December 31, 2006 $
Cash generated by (used in) operating activities	(430,271)	(933,358)
Cash used in investing activities	(4,895,321)	(4,131,221)
Cash provided by financing activities	(3,385,684)	11,595,289
	(8,711,276)	6,530,707

In the nine months ended December 31, 2007, cash used in operating activities of $430,271 was largely accounted for by the loss for the period of $964,259, offset by stock-based compensation and future income taxes, which do not represent cash flows.

Cash used in investing activities represented exploration advances repaid of $2,938 (2006 - $82,661) and acquisition of mineral properties totalling $5,098,259 (2006 - $6,511,570). During the period Kennecott paid $200,000 in contribution towards exploration expenditures. In the comparative period ended December 31, 2006, Kennecott made a $2,500,000 option payment.

The Company generated cash from financing activities of $3,385,684 (2006 - $11,595,289), primarily relating to a share offering, and 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 being its spring 2008 drilling program. Following the February 2008 private placement, the Company has enough cash to last at least 12 months. 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.

7. Share Capital

The Company had a total of 40,849,651 common shares issued and outstanding as at March 31, 2007. As at December 31, 2007 the Company had 54,365,071 common shares issued and outstanding.

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.

8. Changes to the Board of Directors and Management

Board of Director Changes

There were no changes to the board of directors during the nine months ended December 31, 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.

9. 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.

10. 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 where possible 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.

11. Related Party Transactions

For the nine months ended December 31, 2007, the Company did not have any employees but 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.

Transactions with related parties in the nine months ended December 31, 2007 were:

	MCSI Consulting Services Inc. $	Peter Miles $	Lithosphere Services Inc. $	St George Minerals Ltd. $	Total for the Period $
Consulting fees	-	-	-	42,945[3]	42,945
Rent	-	-	-	12,000	12,000
Management services	10,477[4]	49,500[1]	61,000[2]	-	120.977
	10,477	49,500	61,000	54,945	175,922

[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 $46,409 for the period.

The Company pays, in aggregate, directors' fees of £35,000 (approximately $71,000) per year.

12. Contractual Obligations and Commitments

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

	2008	2009	Total

Operating lease (office)	$ 37,200	$ 62,000	$ 99,200

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 $12,100,000 of tax benefits to subscribers of the May 2006 offering through to December 31, 2007, and is committed to spending the remaining $400,000 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. Sanatana has renounced $2,000,700 of tax benefits to subscribers of the October 2007 offering.

13. 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 2007-8 exploration season.

14. Outstanding Share Information

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

- 62,184,112 common shares, including 6,211,518 escrowed common shares;
- 3,420,000 stock options; and
- 9,564,397 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.