

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Financial Statements

For the Period Ended December 31, 2008 and 2007

(Stated in Canadian dollars)

(Unaudited – Prepared by Management)

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1925 – 925 West Georgia Street, Vancouver, BC V6C 3L2 Canada
Telephone: 604 408 6680 Fax: 604 408 6682
Office Toll Free: 1 877 881 6680
www.sanatanadiamonds.com

STA – TSX-V

Notice to Reader

These unaudited financial statements for the nine-month period ended December 31, 2008 have not been reviewed by our auditors. They have been prepared by the Company's management in accordance with accounting principles generally accepted in Canada, consistent with previous quarters and years, except for the adoption of new accounting policies as described in note 3. These unaudited financial statements have been reviewed and approved by the Company's audit committee.

Readers are advised to read the attached financial statements in conjunction with the Company's audited financial statements for the year ended March 31, 2008.

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Balance Sheets

(Expressed in Canadian dollars)

Unaudited – Prepared by Management

	December 31, 2008	March 31, 2008
Assets		
Current		
Cash and equivalents	\$ 4,778,968	\$ 10,058,876
Amounts receivable	19,096	1,313,039
Prepaid expenses	4,159	111,504
	4,802,223	11,483,419
Mineral properties (note 4)	17,907,417	23,657,815
Property and equipment (note 5)	310,469	382,094
	\$ 23,020,109	\$ 35,523,328
Liabilities		
Current		
Accounts payable (note 9)	\$ 88,070	\$ 816,479
Accrued liabilities	135,568	347,113
	223,638	1,163,592
Future income tax liability	2,740,601	4,370,601
	2,964,239	5,534,193
Shareholders' Equity		
Common shares (note 6)	30,301,738	31,377,515
Share purchase warrants (note 7)	744,704	755,144
Contributed surplus	1,729,397	499,397
Deficit accumulated in the exploration stage	(12,719,969)	(2,642,921)
	20,055,870	29,989,135
	\$ 23,020,109	\$ 35,523,328

Ability to continue as a going concern (note 2)

The accompanying notes are an integral part of these financial statements

Approved on behalf of the board of directors:

signed "Peter Miles"

Peter Miles, Director

signed "Edward Marlow"

Edward Marlow, Director

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Statement of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

Unaudited – Prepared by Management

	Number of Shares	Common Shares	Contributed Surplus	Share Purchase Warrants	Deficit Accumulated in the Exploration Stage	Shareholders' Equity
Balance - March 31, 2007	40,849,651	20,041,875	23,146	327,954	(2,111,313)	18,281,662
Private placement of units at \$0.25	6,846,420	1,711,605	-	-	-	1,711,605
Private placement of flow-through units at \$0.30 per unit	6,669,000	2,000,700	-	-	-	2,000,700
Share issuance costs	-	(796,828)	-	-	-	(796,828)
Issuance of warrants as listing costs	-	-	-	377,000	-	377,000
Private placement of units at \$1.35	4,200,055	5,670,074	-	-	-	5,670,074
Private placement of flow-through units at \$1.55 per unit	2,793,500	4,329,925	-	-	-	4,329,925
Share issuance costs	-	(1,065,329)	-	-	-	(1,065,329)
Private placement of units at \$1.56	641,025	1,000,000	-	-	-	1,000,000
Issuance of warrants as listing costs	-	-	-	212,000	-	212,000
Tax value of assets renounced to flow-through share investors	-	(2,082,983)	-	-	-	(2,082,983)
Exercise of agent warrants	211,461	531,867	-	(161,810)	-	370,057
Exercise of warrants	108,142	36,609	-	-	-	36,609
Stock-based compensation	-	-	476,251	-	-	476,251
Loss for the year	-	-	-	-	(531,608)	(531,608)
Balance - March 31, 2008	62,319,254	31,377,515	499,397	755,144	(2,642,921)	29,989,135
Share issuance costs	-	(1,178)	-	-	-	(1,178)
Exercise of warrants	421,999	141,200	-	-	-	141,200
Exercise of agent warrants	12,620	14,226	-	(10,440)	-	3,786
Stock-based compensation (note 8)	-	-	1,230,000	-	-	1,230,000
Adjustment to share issuance costs	-	(25)	-	-	-	(25)
Tax value of assets renounced to flow-through share investors	-	(1,230,000)	-	-	-	(1,230,000)
Loss for the period	-	-	-	-	(10,077,048)	(10,077,048)
Balance - December 31, 2008	62,753,873	\$ 30,301,738	\$ 1,729,397	\$ 744,704	\$ (12,719,969)	\$ 20,055,870

The accompanying notes are an integral part of these financial statements

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

Unaudited – Prepared by Management

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Nine Months Ended December 31, 2008	Nine Months Ended December 31, 2007
Expenses				
Amortization	\$ 7,317	\$ 7,005	\$ 21,795	\$ 21,033
Consulting and advisory fees	-	-	82,455	33,490
Director fees	8,861	15,000	39,674	46,409
Filing fees	354	7,209	17,620	30,370
Investor relations	280	-	62,702	-
Management fees	21,270	22,807	69,096	59,977
Office and administration	59,474	98,881	201,894	226,929
Professional fees	1,670	30,360	50,003	68,983
Salary and wages	510	-	30,033	-
Stock-based compensation (note 8)	72,000	515,000	1,230,000	614,251
Transfer agent fees	20,806	7,781	39,672	24,742
Travel and accommodation	4,000	18,023	35,609	76,835
Loss before undernoted	(196,542)	(722,066)	(1,880,553)	(1,203,019)
Write-down of bonds	(153,775)	-	(153,775)	-
Mineral property write-down	(11,000,000)	-	(11,000,000)	-
Interest income	12,822	30,843	97,280	104,760
Loss before income taxes	(11,337,495)	(691,223)	(12,937,048)	(1,098,259)
Future income tax recovery	(2,860,000)	(134,000)	(2,860,000)	(134,000)
Loss and comprehensive loss for the period	\$ (8,477,495)	\$ (557,223)	\$ (10,077,048)	\$ (964,259)
Loss per share - basic and diluted	\$ (0.18)	\$ (0.01)	\$ (0.21)	\$ (0.02)
Weighted average common shares outstanding - basic and diluted	62,753,873	51,107,557	62,702,396	44,244,085

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Sanatana Diamonds Inc.

(An Exploration Stage Company)

Statements of Cash Flow

(Expressed in Canadian dollars)

Unaudited – Prepared by Management

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Nine Months Ended December 31, 2008	Nine Months Ended December 31, 2007
Cash provided by (used in):				
Operating activities:				
Loss for the period	\$ (8,477,495)	\$ (557,223)	\$ (10,077,048)	\$ (964,259)
Adjustment for non-cash items:				
Amortization of property and equipment	7,317	7,005	21,795	21,033
Amortization of lease inducement	5,653	(1,695)	(568)	(5,085)
Stock-based compensation (note 8)	72,000	515,000	1,230,000	614,251
Mineral property write-down	11,000,000	-	11,000,000	-
Bond write-off	153,775	-	153,775	-
Future income tax recovery	(2,860,000)	(134,000)	(2,860,000)	(134,000)
Amounts receivable	130,306	103,957	70,687	(28,083)
Prepaid expenses	12,378	36,863	107,345	12,460
Accounts payable	(896,007)	(359,174)	(728,409)	27,585
Accrued liabilities	(97,587)	4,637	(210,977)	25,827
	(949,660)	(384,630)	(1,293,400)	(430,271)
Investing activities:				
Exploration advances	-	35,380	-	2,938
Mineral properties	(284,028)	(1,777,357)	(5,816,948)	(5,098,259)
Property and equipment	-	-	(4,692)	-
Kennecott option and contribution	-	-	1,691,349	200,000
	(284,028)	(1,741,977)	(4,130,291)	(4,895,321)
Financing activities:				
Issuance of common shares	-	3,712,305	144,985	3,712,305
Share subscription receivable	-	93,207	-	93,207
Offering costs	-	(419,828)	(1,202)	(419,828)
	-	3,385,684	143,783	3,385,684
Increase (decrease) in cash and equivalents	(1,233,688)	1,259,077	(5,279,908)	(1,939,908)
Cash and equivalents, beginning of period	6,012,656	2,373,801	10,058,876	5,572,786
Cash and equivalents, end of period	\$ 4,778,968	\$ 3,632,878	\$ 4,778,968	\$ 3,632,878
Cash and equivalents comprise:				
Cash	\$ 73,820	\$ 148,421	\$ 73,820	\$ 148,421
Equivalents	4,705,148	3,484,457	4,705,148	3,484,457
	\$ 4,778,968	\$ 3,632,878	\$ 4,778,968	\$ 3,632,878

Supplementary cash flow information (note 12)

The accompanying notes are an integral part of these financial statements

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

Unaudited – Prepared by Management

1. Nature of Business and Basis of Presentation

Sanatana Diamonds Inc. (“Sanatana” or the “Company”) was incorporated on June 25, 2004 in the Province of British Columbia under the British Columbia Business Corporations Act. The Company is an exploration stage company, and its principal business activity is the acquisition, exploration and development of properties. The Company has mineral property rights in the Northwest Territories which it is exploring and developing in a joint venture with Kennecott Canada Exploration Inc. (“Kennecott”).

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company’s continuing operations, and the underlying value and recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties in which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, and non-compliance with regulatory requirements.

2. Ability to Continue as a Going Concern

The accompanying unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not reflect any adjustments to the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. As at December 31, 2008 the Company has no source of operating cash flow and has an accumulated deficit of approximately \$12.7 million. Operations for the period ended December 31, 2008 have been funded primarily from issuances of capital stock.

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

Unaudited – Prepared by Management

3. Basis of Presentation and Adoption of Accounting Policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP for the presentation of interim financial information. These financial statements do not include all disclosures required for annual financial statements and therefore should be read in conjunction with the most recent audited annual consolidated financial statements of the Company for the year ended March 31, 2008.

Presentation

Where applicable, comparative figures have been reclassified to conform with presentation used in the current year.

The financial statements follow the same accounting policies and methods of their application as the annual financial statements except as described below.

Effective April 1, 2008, the Company adopted the following accounting pronouncements:

- a) Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation" which replace Section 3861 "Financial Instruments– Disclosure and Presentation". The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the existing presentation requirements. Adoption of Section 3862 and Section 3863 will not have a material impact on the Company's financial statements.
- b) Section 1535, "Capital Disclosures", which requires companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements and, if not in compliance, the consequences of such non-compliance.
- c) Section 3031, "Inventories", which replaces the existing Section 3030 and establishes standards for the measurement and disclosure of inventories. The new standard provides more extensive guidance on the determination of cost, including allocation of overhead, requires impairment testing and expands the disclosure requirements. Adoption of Section 3031 has not had a material impact on the Company's financial position and results of operations.
- d) Updated Section 1400, "General Standards on Financial Statement Presentation" which includes requirements to assess and disclose a company's ability to continue as a going concern. Adoption of the revised Section 1400 has not had a material impact on financial statement disclosure.

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

Unaudited – Prepared by Management

3. Basis of Presentation and Adoption of Accounting Policies

The Company plans to adopt accounting pronouncements as follows:

- a) Section 3064, "Goodwill and Intangible Assets". This section replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Various changes have been made to other sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2009. The Company is currently assessing the impact that the adoption of this standard will have on its financial statements.
- b) Section 1582, "Business combinations". This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at acquisition date fair value. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. The Company will be required to adopt this standard prospectively for business combinations with acquisition dates on or after April 1, 2011, but may adopt the standard sooner. We are currently evaluating the impact of adopting this standard on our financial statements.
- c) On February 13, 2008, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS") by 2011. The Company's first year end under IFRS will be March 31, 2012. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

Unaudited – Prepared by Management

4. Mineral Properties

The cumulative costs incurred on the Company's mineral properties are as follows:

	Balance March 31, 2007	Expenditures (Receipts)	Balance March 31, 2008	Expenditures (Receipts)	Balance December 31, 2008
Acquisition costs	\$ 421,800	\$ 4,276	\$ 426,076	\$ -	\$ 426,076
Helicopter and fixed wing aircraft costs	8,470,331	3,598,029	12,068,360	3,281,918	15,350,278
Sampling and assays	3,359,624	565,006	3,924,630	226,092	4,150,722
Contractor and consultant	4,354,363	2,648,161	7,002,524	2,016,984	9,019,508
Project management fees	575,997	86,000	661,997	124,773	786,770
Field and camp	842,082	649,971	1,492,053	483,627	1,975,680
Transport and accomodation	1,629,907	673,340	2,303,247	458,981	2,762,228
Expediting	443,522	65,142	508,664	5,848	514,512
Reclamation provision	120,000	-	120,000	-	120,000
Other	342,586	80,065	422,651	274,933	697,584
Total costs incurred	20,560,212	8,369,990	28,930,202	6,873,156	35,803,358
Mineral property write-down	-	-	-	(11,000,000)	(11,000,000)
Reimursable bonds and deposits (*)	458,973	938,985	1,397,958	(1,155,461)	242,497
Options and contribution payments - Kennecott	(5,000,000)	(1,670,345)	(6,670,345)	(468,093)	(7,138,438)
Total cash outlay, net of funding from Kennecott and reimburseable bonds	\$ 16,019,185	\$ 7,638,630	\$ 23,657,815	\$ (5,750,398)	\$ 17,907,417

(*) The Company is required to make deposits against its mineral permits to guarantee its performance and has \$242,497 currently on deposit.

Effective December 31, 2008 the Company evaluated its mineral properties and recorded an \$11,000,000 impairment. This impairment reflects weak world economic conditions, a corresponding decrease in diamond prices and consequently a weaker outlook for the Company's mineral properties.

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

Unaudited – Prepared by Management

5. Property and Equipment

	Office Furniture	Computer Equipment	Leasehold Improvements	Exploration Equipment	Total
Cost					
At March 31, 2008	\$ 30,010	\$ 25,663	\$ 41,357	\$ 363,497	\$ 460,527
Additions	4,693	-	-	-	4,693
Disposals	-	-	-	-	-
At December 31, 2008	34,703	25,663	41,357	363,497	465,220
Depreciation					
At March 31, 2008	11,456	15,786	28,379	22,812	78,433
Charge for the year	5,047	6,417	10,332	54,522	76,318
Disposals	-	-	-	-	-
At December 31, 2008	16,503	22,203	38,711	77,334	154,751
Net book value					
At March 31, 2008	18,554	9,877	12,978	340,685	382,094
At December 31, 2008	\$ 18,200	\$ 3,460	\$ 2,646	\$ 286,163	\$ 310,469

6. Common Shares

a) Authorized share capital

Authorized share capital comprises an unlimited number of common shares with no par value.

b) Issued share capital

At December 31, 2008 there were 62,753,873 common shares issued and outstanding (March 31, 2008 - 62,319,254 common shares).

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

Unaudited – Prepared by Management

6. Common Shares (continued)

c) Flow-through shares

The Company has undertaken several flow-through financings in which the tax benefit of eligible exploration expenditures is passed to equity investors. As at December 31, 2008, no further amounts were required to be spent on eligible expenditures. (March 31, 2008 - \$5,139,155).

d) Escrowed shares

Pursuant to escrow agreements, 13,803,373 of the Company's common shares were placed in escrow at the time the shares were first listed on the Exchange. The escrowed shares were subject to a three-year automatic time release escrow, in equal tranches of 15% of each principal's holdings released at six-month intervals, with 10% of each principal's holdings being exempt from escrow effective on the date the Company's shares were first listed on the TSX Venture Exchange.

As at December 31, 2008, 2,070,506 common shares (March 31, 2008 – 6,211,518 common shares) remained in escrow.

7. Share Purchase Warrants

The Company's movement in share purchase warrants is as follows:

	December 31, 2008		March 31, 2008	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
	Of Warrants		Of Warrants	
Balance, beginning of period	10,807,797	\$0.65	428,571	1.75
Granted	-	-	10,698,829	0.63
Exercised	(434,619)	0.33	(319,603)	1.27
Expired or cancelled	(217,110)	1.75	-	-
Balance, end of period	10,156,068	\$0.64	10,807,797	\$0.65

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

Unaudited – Prepared by Management

7. Share Purchase Warrants (continued)

Summary of outstanding warrants at December 31, 2008:

Expiry Date	Exercise Price	Financing Warrants Outstanding	Broker Warrants Outstanding
April 22, 2009	\$ 0.35	2,959,168	-
April 22, 2009	\$ 0.30	3,293,210	-
April 22, 2009	\$ 0.30	-	1,314,113
August 4, 2009	\$ 1.65	2,100,028	-
February 5, 2009	\$ 1.35	-	489,549
		8,352,406	1,803,662

The Company estimated the fair value of each broker warrant at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	For the Nine Months Ended December 31, 2008	For the Year Ended March 31, 2008
Expected dividend yield	-	0%
Expected volatility	-	76.9%
Risk-free interest rate	-	3.00%
Expected life	-	1.41 years

8. Stock Options

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 Corporation up to 10% of the common shares of the Company issued and outstanding at the date of the stock option grant. In July 2007, the Company's shareholders approved a stock option plan with similar provisions to the 2005 Option Plan under the rules of the Exchange. The 2007 stock option plan is considered a continuation of the 2005 Option Plan. The directors may set option terms, but options granted under the plan typically have a life of five years and vest over an 18-month period. In April 2008, the Company's board of directors changed the vesting period of granted options from three years to 18 months.

Sanatana Diamonds Inc.

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Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

Unaudited – Prepared by Management

8. Stock Options (continued)

The Company amortizes the stock-based compensation expense over the respective vesting period of the options granted and recorded \$1,230,000 of stock-based compensation in the nine months ended December 31, 2008 (2007 - \$614,251).

	For the nine months ended December 31, 2008		2007	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of period	3,420,000	\$1.13	3,170,000	\$1.16
Granted	2,050,000	1.15	300,000	0.75
Exercised	-	-	-	-
Expired or cancelled	(250,000)	(0.75)	(50,000)	(0.75)
Balance, end of period	5,220,000	\$1.16	3,420,000	\$1.13

Summary of outstanding options at December 31, 2008:

Exercise Price Range	Outstanding Options			Exercisable Options	
	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Remaining Life
\$0.75-\$1.00	2,020,000	\$0.80	3.76 years	1,520,000	0.78 years
\$1.01-\$1.40	3,200,000	\$1.38	3.64 years	2,600,000	1.39 years
	5,220,000	\$1.16	3.69 years	4,120,000	1.17 years

The Company valued options in the nine months ended December 31, 2008 using the Black-Scholes options pricing model with the following assumptions:

	For the nine months Ended December 31, 2008	For the year ended March 31, 2008
Expected dividend yield	0%	0%
Expected volatility	86.9%	86.9%
Risk-free interest rate	3.43%	2.80%
Expected life	5.0 years	5.0 years

The weighted average grant date fair value of options awarded in the nine months ended December 31, 2008 was \$0.57 (2007 - \$0.24).

Sanatana Diamonds Inc.

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Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

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9. Related Party Transactions

At December 31, 2008, the Company had one employee and had arrangements with a number of contractors to provide administrative, accounting and management services. Certain directors and significant shareholders provided management and consulting services to the Company.

Related party transactions in the nine months ended December 31, 2008 were:

For the nine months ended December 31,	2008	2007
Services provided by:		
Directors and insiders (a)	\$ 39,674	\$ 95,909
Lithosphere Services Inc. (b)	46,000	71,500
St. George Minerals Limited (c)	-	54,945
S2 Management Inc. (d)	16,624	-
MCSI Consulting Services Inc. (d)	2,972	10,477

- Directors and insiders provided services in the normal course of business. These services are classified according to their nature, including financial, technical, investor relations, and management services.
- Fees for technical services performed by a company controlled by a director of the Company
- Fees for financial and administrative services performed by a company controlled by a former director of the Company.
- Fees for financial services performed by a company controlled by an officer of the Company.

These transactions were recorded at the exchange amount, being the consideration established and agreed to by the related parties.

Balances included in accounts payable and accrued liabilities are as follows:

	Nine months Ended December 31, 2008	Year ended March 31, 2008
Directors and insiders (a)	\$ 9,523	\$ -
Lithosphere Services Inc. (b)	2,100	-
MCSI Consulting Services Inc. (d)	-	1,927
S2 Management Inc. (d)	3,423	-

Related party balances are due on demand, bear no interest and are current liabilities.

Sanatana Diamonds Inc.

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Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

Unaudited – Prepared by Management

10. Commitments

The Company has the following future minimum commitments based on existing leases and agreements:

Period ending March 31,		
2009	\$	24,200
2010		89,400
2011		-
2012		-
	\$	113,600

- a) Under the terms of an agreement dated November 25, 2004 with Geoinformatics Explorations Limited ("Geoinformatics"), a company in which the Company's former chief executive officer was formerly a director, and of which a current director is chief executive officer, Geoinformatics is entitled to a 0.9% gross overriding royalty.
- b) A member of Jaeger Joint Venture, from which the Company purchased an interest in the MacKenzie Diamond Project, is entitled to a 2% net sales revenue royalty from that project.
- c) The Company's lease for office space expired January 31, 2009 and so, in December 2008, the Company signed a new lease expiring January 31, 2010. The monthly lease cost increases from \$6,000 to \$8,940.

11. Capital Management

The Company considers that its capital comprises shareholders' equity. The Company's objectives in managing capital are to ensure that it has sufficient funds to complete its planned exploration activities; maintain creditor confidence; and to safeguard the Company's ability to obtain further financing when the need arises.

The Company does not have any externally or internally imposed capital requirements. In maintaining its capital, the Company has a strict investment policy which includes investing surplus cash only in highly liquid, highly rated financial instruments. The Company regularly reviews its capital management approach. There were no changes in the Company's approach to capital management during the period.

Sanatana Diamonds Inc.

(An Exploration Stage Company)

Notes to the Financial Statements

(Expressed in Canadian dollars)

For the nine months ended December 31, 2008

Unaudited – Prepared by Management

12. Supplementary Cash Flow Information

For the nine months ended December 31,	2008	2007
Interest and taxes paid	\$ -	\$ -
Non-cash investing activities:		
Amortization in mineral properties	54,522	5,886