SANATANA RESOURCES INC.

Management's Discussion and Analysis

December 31, 2011

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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 February 23, 2012 and should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes for the period ended December 31, 2011, the audited annual financial statements and related notes for the year ended March 31, 2011 and the unaudited condensed interim financial statements for the period ended June 30, 2011 which include information on the Company's transition to International Financial Reporting Standards ("IFRS"). This MD&A is intended to provide the reader with a review of the Company's performance for the nine months ended December 31, 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 IFRS. The Company's unaudited condensed interim financial statements for the nine-month period ending December 31, 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 engaged in the acquisition, exploration and development of exploration and evaluation assets. The Company's operations are focused on its option to acquire the Watershed property in Ontario. The Company also has a letter of intent to acquire the Boulder Claims gold exploration property in Yukon and has rights to the Mackenzie diamond mineral property in the Northwest Territories.

All of the Company's activities are 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 February 2012, the Company completed its analysis of its 2011 exploration program on the Watershed property, see *Watershed Property* below.
- In January 2012, the Company received $334,000 on the exercise of share purchase warrants.
- In December 2011, the Company closed a non-brokered private placement issuing 3,030,303 flow-through shares for gross proceeds of $1,000,000, see *Flow Through Offering* below.
- In October 2011, the Company reported positive channel sampling gold results and commenced drilling on its Watershed property.

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 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 December 31, 2011 were $1,964,000 and so the Company has fulfilled its March 23, 2012 obligation.

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.

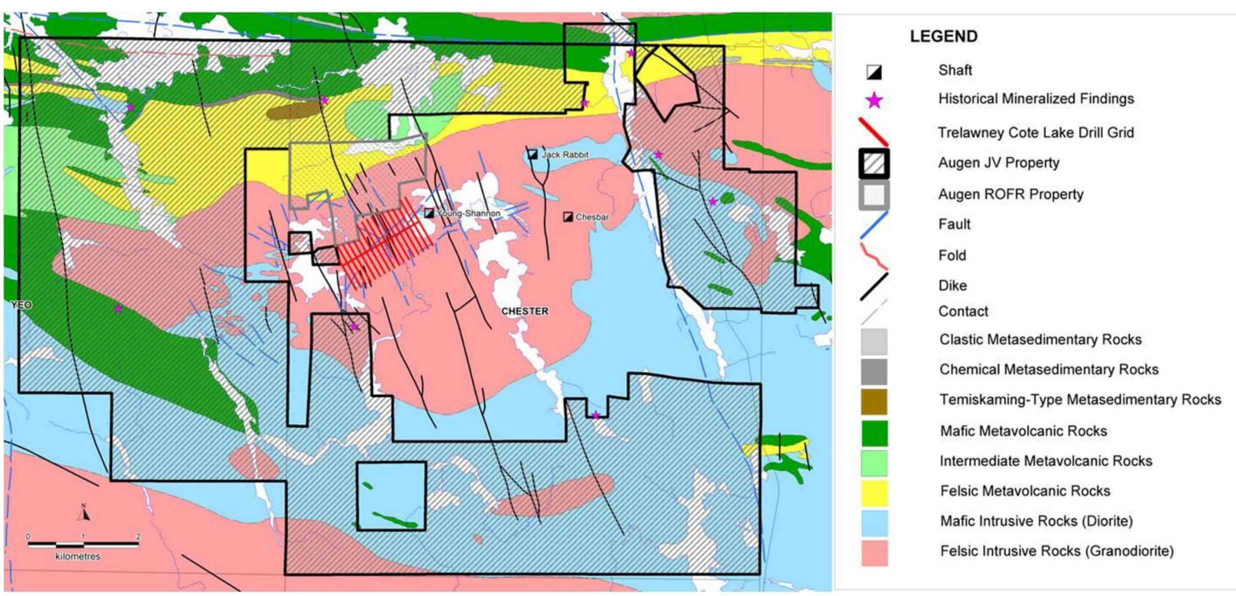
The option and joint venture agreement includes a provision that while the Company and Augen are parties to an option or joint venture, with respect to the Claims or the ROFR Claims, Augen has the option to purchase up to 10% of any securities issued in any equity offerings by the Company on the same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

The Company agreed to pay a finder's fee in connection with the option and joint venture agreement. 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 historical data and 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 sequence of rocks intruded in places by diorite to granodiorite 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 paved highway from Sudbury and Timmins, 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

There has been historic exploration 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 of 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 modeling 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. 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 modeling of the IP data at the Clam Lake area refined the drill target for the diamond-drilling program. The Company expects 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.

The Company has completed an analysis of the first three of the nine drill holes completed to date on the Watershed property. The diamond drill program on the Watershed property mineral claim #3011820 was completed in January 2012 comprising nine drill holes totaling 4,195 metres. Initially, a 2,500-metre five-drill hole program was planned to test subsurface IP anomalies and coincident gold values in surficial geochemical sampling of stripped bedrock outcrops. The Company was sufficiently encouraged from observations of the drill core early in the program to increase the amount of drilling to test more of the claim area. The results of the remaining holes will be released after receipt from the assay lab and review by the Company. The details of collar locations can be seen in Table 1 below.

Hole SR-11-01 was designed to test the primary IP target on line 16 at the eastern edge of the claim boundary. Hole SR-11-02 was drilled from the same location as the first hole but at a steeper inclination to intersect the IP target at greater depth down-dip. Hole SR-11-03 was collared 50 metres to the west on line 15 to test the IP target along strike; however, a significant interval of diabase dyke was encountered at the anticipated target depth.

To date, full geochemical sample results have been received for the first three drill holes only. Gold mineralized downhole intervals are provided in Table 2 below using a 0.3 g/t Au lower cut-off.

Based on observations recorded from the drill core and review of the multi-element geochemistry of the sampling, gold occurrence is thought to be associated with both higher grade but narrower quartz veins as well as in wider, lower grade disseminated zones of highly silicified altered host rock. Quartz lode vein gold has been mined in the region in the past at underground operations such as Young-Shannon two kilometres northeast of the mineral claim.

The wider alteration system exhibits textures and mineralogy similar to that described by Trelawney at the Cote Lake deposit on Trelawney's adjacent property. Trelawney's nearest mineralized drill hole, E11-82, is located approximately 250 metres due east of the boundary of mineral claim #3011820.

Table 1:

Hole	Line	East	North	Projection	Dip	Azimuth	Depth
SR-11-01	L16	428,665mE	5,266,760mN	UTM Zone 17	-60°	160°	575m
SR-11-02	L16	428,665mE	5,266,760mN	UTM Zone 17	-70°	160°	674m
SR-11-03	L15	428,565mE	5,266,750mN	UTM Zone 17	-60°	160°	491m
SR-11-04	L14	428,479mE	5,266,762mN	UTM Zone 17	-60°	160°	560m
SR-11-05	L15	428,626mE	5,266,615mN	UTM Zone 17	-60°	160°	401m
SR-12-01	L13	428,465mE	5,266,602mN	UTM Zone 17	-60°	180°	392m
SR-12-02	L14	428,522mE	5,266,608mN	UTM Zone 17	-60°	160°	401m
SR-12-03	L16	428,720mE	5,266,615mN	UTM Zone 17	-60°	160°	401m
SR-12-04	L15	428,585mE	5,266,705mN	UTM Zone 17	-60°	160°	300m

Table 2:

Hole	From (m)	To (m)	Length (m)	Gold (g/t)
SR-11-01	22.4	23.0	0.6	0.48
SR-11-01	50.0	51.0	1.0	0.36
SR-11-01	94.4	95.8	1.4	1.23
SR-11-01	116.1	117.0	0.9	0.37
SR-11-01	125.0	125.7	0.7	0.72
SR-11-01	133.0	134.0	1.0	0.40
SR-11-01	199.0	204.0	5.0	0.34
SR-11-01	**238.5**	**257.0**	**18.5**	**1.16**
Including				
SR-11-01	241.0	242.0	1.0	17.9
SR-11-01	308.0	309.2	1.2	0.30

SR-11-01	313.6	314.1	0.5	0.45
SR-11-01	352.0	357.0	5.0	0.41
SR-11-01	415.0	426.0	11.0	0.47
SR-11-01	439.2	442.0	2.8	0.38
SR-11-01	446.0	447.0	1.0	0.56
SR-11-01	455.0	456.0	1.0	0.40
SR-11-01	476.0	477.0	1.0	0.87
SR-11-01	537.0	538.0	1.0	0.36
SR-11-01	549.1	549.8	0.7	0.89
SR-11-02	23.0	35.0	12.0	0.33
SR-11-02	43.0	44.0	1.0	0.46
SR-11-02	49.0	50.0	1.0	1.88
SR-11-02	83.2	84.0	0.8	0.49
SR-11-02	110.0	124.0	14.0	0.67
SR-11-02	146.0	151.0	5.0	0.60
SR-11-02	178.0	179.0	1.0	7.09
SR-11-02	200.0	201.0	1.0	3.03
SR-11-02	292.0	293.0	1.0	0.31
SR-11-02	**401.0**	**446.0**	**45.0**	**0.48**
Including				
SR-11-02	424.0	425.0	1.0	18.7
SR-11-02	472.0	480.0	8.0	1.21
SR-11-02	537.0	538.0	1.0	0.34
SR-11-02	542.0	543.0	1.0	0.35
SR-11-02	548.0	548.7	0.7	0.31
SR-11-02	549.2	550.0	0.8	0.42
SR-11-02	595.0	596.0	1.0	0.39
SR-11-03	1.0	3.0	2.0	0.42
SR-11-03	28.3	28.9	0.6	1.82
SR-11-03	63.0	65.0	2.0	0.67
SR-11-03	101.1	102.0	0.9	0.34
	Diabase			
SR-11-03	209.0	210.0	1.0	0.31
SR-11-03	233.0	234.0	1.0	1.69
SR-11-03	247.0	255.0	8.0	0.33
SR-11-03	320.0	321.0	1.0	0.66
SR-11-03	360.0	361.0	1.0	0.43
SR-11-03	**404.0**	**421.0**	**17.0**	**0.39**
SR-11-03	433.0	434.0	1.0	0.31
SR-11-03	438.6	439.1	0.5	0.65

Notes:
• True widths of intersections are unknown at this time.
• Mineralized intervals are calculated using the weighted Au average based on length of sample and a lower cut-off of 0.3 g/t including low grade zones no greater than 20 metres in length.

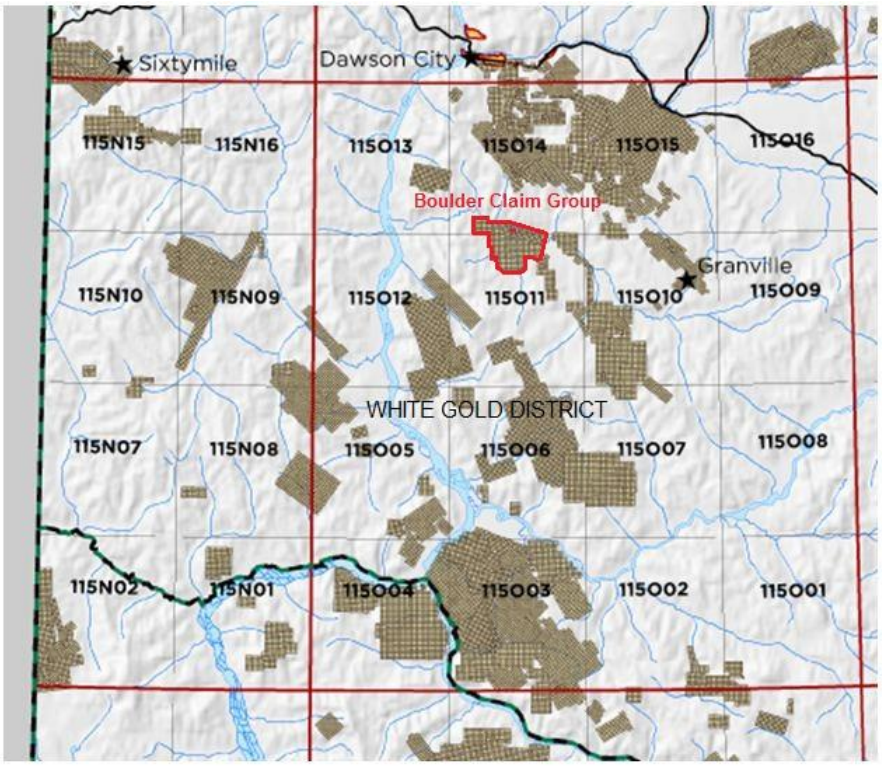
Planned Work

The 2012 work program will comprise drill testing of additional IP targets and surficial geochemical anomalies delineated and defined in the summer 2011 field program. In order to generate additional drill targets, the Company will conduct IP and geochemical sampling over other prospective areas of the Watershed property.

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 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 budgeted expenditures of $1,700,000 for the 2011 exploration program on the Watershed property and slightly exceeded this budget to ensure that the Company met its flow-through share obligations (see *Share Capital* below). The Company plans to spend about

$3,000,000 on the Watershed property in calendar 2012 depending on exploration results and the availability of funding. The Company does not plan to undertake any significant exploration work on the Boulder Claims or Mackenzie property in 2012.

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:

	Nine Months Ended December 31, 2011 $	Year Ended March 31, 2011 $
Accounting principles	IFRS	IFRS
Watershed property		
Acquisition costs	50,250	850,000
Contractor and consultant	1,325,893	22,562
Helicopter and fixed wing aircraft	13,007	-
Expediting	5,216	-
Project management fees	100,205	27,000
Field and camp	52,771	2,000
Sampling and assays	154,069	-
Transport and accommodation	121,607	-
Permitting and other	30,681	-
Increase in carrying value	1,853,699	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	(15,777)	(247,161)
Increase in carrying value	-	-
All exploration and evaluation assets		
Net change in carrying value	1,853,699	(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 [1]	Cash and Equivalents	Exploration and Evaluation Assets [2]	Loss for the Quarter	Loss per Share [3] (Basic and Diluted)
		$	$	$	$
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)
December 31, 2011	IFRS	3,215,878	2,823,608	(345,684)	(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.
- December 31, 2011 – The Company recognized share-based compensation expense of $91,000 and incurred increased costs associated with exploration on its Watershed property.

Results of Operations

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

- 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. The Company paid additional directors fees of $17,500 in December 2011 compensating directors for additional work performed by the board in 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. Included in the December 2011 quarter are bonuses to officers and staff totalling $60,000.
- 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 11 of the Company's December 31, 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.
- Part XII.6 tax is a tax levied by the government of Canada that relates to our 2010 flow-through share offering. The tax is, in essence, a finance charge because investors were able to offset their investment against 2010 income but Sanatana did not incur exploration expenditures until 2011. The Company will incur a similar charge in 2012 for its 2011 flow-through offering.

Liquidity

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

As at	December 31, 2011 $	March 31, 2011 $
Cash and equivalents	3,215,878	4,210,157
Working capital	2,549,633	4,111,617
Period ended	December 31, 2011 $	December 31, 2010 $
Cash used in operating activities	(550,420)	(474,951)
Cash used in investing activities	(1,608,687)	(310,939)
Cash provided by financing activities	1,164,828	1,777,019
Change in cash and equivalents	(994,279)	991,129

In the nine months ended December 31, 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 plans to accelerate exploration on the Watershed property, which will require additional cash. The Company has an obligation to spend the $1,000,000 December 2011 flow-through offering by December 31, 2012.

In December 2011, the Company raised $1,000,000 from a non-brokered private placement, which will be used primarily for exploration and development on the Watershed property. In January 2012, the Company received cash of $334,000 on the exercise of 1,336,666 share purchase warrants. In January 2012, 1,401,667 warrants and 163,333 broker warrants expired unexercised. As a result of this financing, the Company has recorded a $303,030 liability concerning its obligation to renounce exploration expenditures. The Company will not have to settle this liability with cash.

The Company projects it has sufficient cash and equivalents at the date of this MD&A to last at least 12 months. The Company intends to complete the work required to earn a 50% interest in the Watershed property and estimates that this will require expenditures of about $3,000,000 in 2012. With the additional cash generated from the exercise of warrants in January 2012, the Company believes that it has sufficient cash to fund these expenditures but will need to seek additional funding in the spring of 2013.

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 obtain 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 December 31, 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 12 of the December 31, 2011 financial statements.

Contractual Obligations and Commitments

Particulars of the Company's contractual obligations and commitments are disclosed in note 15 to the December 31, 2011 financial statements.

Share Capital

The Company had 85,853,287 common shares issued and outstanding at December 31, 2011 and 81,585,172 common shares issued and outstanding at March 31, 2011.

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

Flow Through Offering

On December 30, 2011, the Company closed a non-brokered private placement of 3,030,303 flow-through shares with the MineralFields Group for gross proceeds of $1,000,000. The Company will renounce an amount equal to the gross proceeds derived from the sale of the flow-through shares to purchasers in accordance with the provisions of the *Income Tax Act* (Canada). All securities issued are subject to a hold period that expires May 1, 2012. The Company paid cash commissions of $70,000 and issued 212,121 finders' warrants exercisable at $0.40 per common share until December 30, 2012. The finders' warrants have a fair value of $30,000.

The Company recognized a liability of $303,030 on closing of the flow-through financing. This amount represents the liability to flow-through investors to renounce exploration expenditures. The Company renounced the full $1,000,000 of expenditures in February 2012.

Funds raised from the flow-through offering will be used for mineral exploration and development in the Company's Watershed project.

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 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. The Company's shareholders re-approved the plan in October 2011.

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.

Share Purchase Warrants

In the nine months ended December 31, 2011, warrant holders exercised warrants to purchase 998,529 common shares for proceeds of $249,000.

Subsequent to December 31, 2011, warrant holders exercised warrants to purchase 1,336,666 common shares for proceeds of $334,000 and 1,401,667 warrants and 163,333 broker warrants expired unexercised.

As described above, in connection with the 2011 flow-through share offering, the Company issued finder's warrants to purchase 212,121 common shares at a price of $0.40 until December 30, 2012

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:

- 87,189,953 common shares;
- 212,121 share purchase warrants; and
- 7,060,000 stock options.

Fully diluted share capital is therefore 94,462,074 common shares.

Changes to the Board of Directors and Management

Harley Hotchkiss, one of the Company's directors, passed away in June 2011. 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 a 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 and international currency exchange rates.

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. 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 the Watershed property.

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 nine months ending December 31, 2011, have been prepared in accordance with IAS 34, using accounting policies consistent with IFRS. These are the Company's third 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 assets 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 17 of the December 31, 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.