SANATANA DIAMONDS INC.
For the year ended March 31, 2007

Management's Discussion and Analysis
(All amounts stated in Canadian dollars, unless otherwise indicated)

This MD&A, contains certain "Forward-Looking Statements" that are prospective and reflect management's expectations regarding Sanatana Diamonds Inc.'s ("Sanatana") 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 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 discussion and analysis of the operating results and financial condition of Sanatana Diamonds Inc. ("**Sanatana**", or the "Company") for the year ended March 31, 2007 should be read in conjunction with the audited annual financial statements and related notes and is intended to provide the reader with a review of the factors that affected the Company's performance during the year ended March 31, 2007 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**") and are expressed in Canadian dollars. All amounts in this report are in Canadian dollars, except where otherwise indicated.

Qualified Person

The Sanatana exploration programs are carried out under the supervision of Sanatana's Vice President Exploration, Mr. **Buddy Doyle**. Mr. Doyle meets the qualified person requirements (as defined by National Instrument 43-101) with more than 25 years of experience in the gold and diamond exploration industry and is responsible for the geoscientific and technical disclosure contained in this document.

Background

Sanatana was incorporated under the *Business Corporations 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 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 TSX Venture Exchange (the "**Exchange**") under the symbol "**STA**". The Company is classified as a mining exploration/development company by the Exchange.

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

Nature of Business

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

Technical Note: A Brief Explanation of Diamond Exploration:

Scientific studies have shown that diamonds are formed at high pressures and temperatures deep in the Earth's mantle and can be preserved under the older, colder parts of the continents. The diamonds sit at this depth for eons after they are formed; that is 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 1 metre to 2.5 kilometres across and they usually occur in swarms. This means that where you find one kimberlite, you usually find many others. Kimberlites have occurred throughout the earth's history but they tend to come in pulses.

Once the eruption is finished and everything is cool and quiet, erosional processes take over and the minerals in the kimberlite, including diamonds, are dispersed. Most exploration companies look for minerals, called indicator minerals, occurring with the diamond rather than the diamonds directly as these 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 for diamond mineralization.

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

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

Once a source area of the indicator minerals is isolated, we conduct geophysics 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 in drilling, it is then assayed for diamonds. Given positive results, the process would then proceed to bulk sampling for grade and value, feasibility, permitting and then to mining.

The Sanatana-Kennecott Joint Venture

The Company has a joint venture agreement with diamond producer Kennecott Canada Exploration Inc. (**"Kennecott"**), a subsidiary of Rio Tinto plc, where Sanatana operates and Kennecott has a 15% interest (refer to Significant Events and Transactions). As part of the Joint Venture arrangement, Kennecott has made available one of their project geologists and a geophysicist experienced in diamond exploration.

Exploration Programs

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

During the 2006 season, Sanatana carried out follow-up exploration programs on the six project areas which consisted of helicopter-borne magnetic surveys as well as ground magnetic surveys over numerous targets, including the Kilekale Lake area. These surveys were designed to follow-up on over 1,000 magnetic anomalies generated by the airborne surveys flown in 2005. Based on the data from the 2006 work program, the anomalies are either being upgraded to probable drill targets or discarded. Over 50% of the anomalies tested to date remain viable targets.

In the Kilekale Lake area, permission to drill was granted, a drill camp constructed and four magnetic targets were drill tested with eight diamond drill holes (for a total of 1,226 metres). The magnetic targets tested were between 2.2 kilometres and 8.5 kilometres apart. Four drill holes were drilled into one target spaced 70 metres apart. All the drill holes intersected black mudstones or orange weathered mudstones. No kimberlite was intersected.

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

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

In July 2006, Kennecott Canada Exploration Inc. ("**Kennecott**") contributed $2.5 million to the Company's 2006 exploration program. On January 1, 2007 Kennecott earned a 15% interest in the Company's Mackenzie Diamond Project, which is now run as a 85% Sanatana, 15% Kennecott Joint Venture The Company manages and operates the exploration programs, with Kennecott having 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 34% interest (15% plus up to 34% = 49% total interest) in each individual project by completing, at its sole expense, a bulk sample and a positive feasibility study within 4 years; and

- Kennecott may earn a further 11% interest (for a maximum total of up to 60%), 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 twenty years of Kennecott earning the initial up to 49% interest in the individual project.

Exploration Update

Highlights

- In 2006, 3,200 till samples where collected in a program designed to refine and enhance the known mineral and magnetic anomalies. By April 2007 the final results from the sampling where received,

- This work has highlighted a number of indicator mineral anomalies. The most prominent of these areas are;

  - Green Horn
  - Yeltea
  - Horton.
  - Colville
  - Simpson
  - Estabrook.

  In the Green Horn area the company received results from the summer till sampling early enough in the field season to enable follow-up infill sampling. This work has accelerated the progress at Green Horn ahead of the other areas, with sampling spacing up to 300m apart (in the other areas the sample spacing is 1.2km apart).

- Electron micro-probe results have been received for the indicator minerals recovered in 2006. When these are combined with the results from 2004 and 2005 a picture of good to excellent diamond mineralisation potential within the Sanatana land holdings continues to emerge. High chrome (>9%Cr_2O_3) and low calcium (>4% CaO) pyropes have been recovered from all areas. These are considered to be co-genetic with diamond. The presence of picro-ilmenite, chrome diopside, high chrome chromite and fosteritic olivine further multiplies the evidence for diamond mineralization on our properties.

- Aeroquest International Ltd IMPULSE frequency domain EM and magnetic airborne surveys were completed by the end of March 2007 over three separate areas; Green Horn, Yeltea, and Simpson. The surveys were designed to generate drill targets in areas of high indicator minerals counts.

- Ground crews have been mobilized to Green Horn to conduct ground magnetic and Max-Min EM surveys of the targets generated by the Aeroquest survey. The ground work further defines its placement of the drill sites.

- The company is well advanced in the Land Use permitting process, and expects to be drilling at Green Horn this summer once these permits are in hand.

- Sanatana expects a similar exploration process to occur at the other areas of high interest indicator mineral chemistry culminating in drill programs on each spanning two to three years into the future.

- A total of 1,222,181 acres of mineral claims were staked.

Sampling

The first round of the 2006 sampling program commenced in the Hornby Basin around Plummer's Great Bear Lodge and was completed in July 2006. Sampling then moved to Colville, Kilekale and Bekere. Preliminary results in the Green Horn River area enhanced this anomaly and led to a follow-up program, with 150 samples being collected on nominal 300 metre sample spacing.

The electron micro-probe results from the 2006 sampling have been received, further enhancing the known anomalies defined by the 2004 and 2005 exploration programs. The probe chemistry of the indicator minerals is positive for diamond mineralization, and the pristine structure of some grains is suggestive of proximity to source. The results have generated several indicator anomalies that are separated by many kilometres. The most prominent of these have been named:

- Green Horn
- Yeltea
- Horton.
- Colville
- Simpson
- Estabrook.

The Green Horn, Yeltea and Simpson indicator anomalies where prioritised due to the higher indicator mineral counts and the presence of abundant fosteritic olivine. Of all the diamond indicator minerals, olivine is the most fragile to chemical and physical weathering so its presence suggests that we may be close to source.

Land position

The Company's land position is continually changing based on results, exploration and the rules laid down by the Canada Mining Regulations. The Company initially held ground in the form of prospecting permits, and at the beginning of 2006, the area held under permits totalled 16.5 million acres. Prospecting permits located below 68 degrees latitude have a 3 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 1,222,281 acres of mineral claims were staked by helicopter supported crews. North of 68 degrees latitude, the map permits have a 5 year life and therefore the Company's permits will not expire until 2009. Currently the Company holds 5.9 million acres of mineral rights. Sanatana plans to stake areas of interest north of the 68 parallel over the next 2 years.

Airborne and ground follow-up Surveys

Early in 2006 the Company completed a fixed wing magnetic survey over the entire prospecting permit holdings. This work generated a series of magnetic targets, interpreted to be kimberlite, the most noticeable being a group of about 30 anomalies ranging from 200m to 1.3km in diameter south of Kilekale Lake. A helicopter-based magnetic system was then deployed to follow up on these and other anomalies around Colville Lake. Ground magnetic crews followed up anomalies around Deline and Yeltea. From the results of the helicopter data a decision was made to drill the Kilekale targets.

In 2007, the Company deployed a helicopter-based EM (electro-magnetic) and magnetometer survey over the Green Horn, Yeltea and Simpson areas using 100m line spacing. Final results are pending, however follow-up ground surveys have commenced using the preliminary data.

Drilling at the Kilekale Lake Targets

On April 24, 2006, the Company was issued final permits for drilling in the Kilekale Lake area, including permission to build a drill camp at Kilekale Lake. This area lies 15 kilometres north of Great Bear Lake and is one of 8 areas identified by Sanatana in the Mackenzie Diamond Project area that have drill-ready potential kimberlite targets.

With the assistance and input of geophysicists from Kennecott, over 30 magnetic anomalies with associated diamond indicator mineral counts were defined, all of which represented potential kimberlite targets. Based on the results of these geophysical studies, the relative ease of access to the property and the fact that a land use permit had been awarded to Sanatana, the decision was made to drill a number of the magnetic anomalies present in the Kilekale Lake area. A helicopter-borne, low level, magnetic survey over the Kilekale Lake area at 100 metre line spacing was used to define 12 drill targets.

Drilling commenced on June 1, 2006 on a target located about 600 metres from the Kilekale Camp site. Four out of the 12 targets were drill tested with eight diamond drill holes (total 1,226 metres). No kimberlite was intercepted. The drill program was completed on June 26, 2006.
All drill holes intercepted a poorly lithofied mudstone. The depth of the overlying till varied from 18 metres to 42 metres. Seven of the drill holes passed into a bright red/orange/yellow weathered mudstone profile that persisted for approximately 40 metres before entering into fresh black mudstone. One drill hole went directly into fresh mudstone beneath the till. In most of the drill holes, two distinct till blankets were present, separated by a layer of glaciofluvial material. None of the material cored in the drill holes had sufficient magnetism to adequately explain the magnetic anomalies. The Company has postponed further work on these anomalies in favour of areas such as Green Horn, where there were prominent mineral indicator anomalies.

Colville Lake Land Use permit

The Company obtained a land use permit that allows drill testing of the magnetic anomalies identified and followed-up by fixed wing, helicopter and ground surveys. The land use permit has a duration of 5 years. The Company has decided to delay drill testing these targets until sampling is conducted around them. Those with positive diamond indicator results will be then prioritised for drill testing.

Green Horn Project

An Aeroquest IMPULSE electromagnetic (EM) data survey was conducted in the Green Horn area, inland of the northeastern Dease Arm of Great Bear Lake. This helicopter-borne survey consisted of 3,425 line kilometres, and was flown at 100 metre line spacing over an area where a significant number of indicator minerals in the till had been recovered. The survey has revealed numerous geophysical targets that may represent kimberlites, the most compelling being a 250 metre by 160 metre isolated magnetic high that occurs directly up ice of the termination of the most prominent indicator mineral train.

The geology of the area is mapped as a continental to shallow marine Proterozoic platform sediments. Electron micro-probe results from grains of the indicator minerals show chemistry that is positive for diamond mineralization.

Ground crews are currently completing magnetic and EM surveys that will be used to define the position of drill sites. A drilling program is planned for this summer. The Company is in the final stages of completing the permitting process required prior to commencing drilling.

Reporting Period

For the year ended:

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:

	Year ended March 31 2007	Year ended March 31 2006	June 2004 to March 31 2005
Acquisition costs	**232,830**	188,970	-
Helicopter & fixed wing aircraft	**3,978,563**	3,580,335	911,433
Sampling and assays	**1,383,889**	1,537,325	438,410
Labour	**1,307,662**	155,639	127,449
Geological services	**1,256,014**	837,203	670,396
Project management fees	**76,000**	304,432	195,565
Field and camp	**646,045**	196,037	-
Transport and accommodation	**895,568**	734,339	-
Expediting	**327,412**	116,110	-
Other expenses	**35,007**	72,286	235,293
Reclamation provision	**-**	120,000	-
Total exploration costs for the period	**$10,138,990**	$ 7,842,676	$ 2,578,546
Less:			
Reimbursable bonds and deposits	**(1,853,938)**	(55,673)	2,368,584
Kennecott option payment	**(2,500,000)**	(2,500,000)	-
Total cost to the Company	**$ 5,785,052**	$ 5,287,003	$ 4,947,130

The following costs were incurred on the primary components of the exploration program in the year ended March 31, 2007:

- geophysical activities, including helicopter-borne magnetic surveys as well as ground magnetic surveys ($1,339,371);
- the largest sampling program ever undertaken by Sanatana, with over 3,200 samples collected and analysed ($3,387,972);
- an 8-hole drilling program comprising 1,226 metres in the Kilekale Lake area ($2,160,372); and
- an extensive airborne staking program, with current holdings of approximately 5.9 million acres of project area ($2,519,702).

Selected Annual Information ($)

	March 31, 2007 **$**	March 31, 2006 $	March 31, 2005 $
Financial results:			
Net income (loss) for the year	**(856,764)**	(1,033,698)	(220,851)
Basic and diluted (loss) per share	**(0.02)**	(0.03)	(0.07)
Balance sheet data:			
Cash and short term deposits	**5,572,786**	746,637	1,183,691
Mineral properties	**16,019,185**	10,234,133	4,947,130
Total Assets	**21,843,832**	11,435,623	6,812,727
Future Income tax liability	**3,002,618**	922,677	599,515
Shareholders' equity (deficiency)	**18,281,662**	9,786,282	6,025,752
Cash flow data:			
Exploration Expenditures	**8,500,683**	7,395,642	4,947,130
Option payment-Kennecott	**2,500,000**	2,500,000	-
Common share proceeds (gross)	**12,500,000**	5,095,733	6,846,118

The net loss for the year ended March 31, 2007 was $856,764 (fiscal 2006: $1,033,698). Included in the net loss for the year ended March 31, 2007 was $161,984 (2006: $331,436) of professional fees, $155,177 (2006: $162,050) of travel expenses and $64,854 (2006: $151,699) of consulting and advisory fees. Management fees expense was $209,977 (2006: $120,000), and office and administration expense $261,881 (2006:$ 57,329).

The increase in office and administration expenses in the year was largely attributable to the Company's need of comprehensive insurance and the move to larger premises in early 2006. Management fees increased due to the Company's requirements of outside expertise in certain areas, which resulted in an enlarged management structure, while travel and accommodation declined over last year primarily due to reduced attendance of directors at in-person Board Meetings, and attendance of industry focussed conferences.

Other significant categories of costs include filing fees of $38,940 (2006: $51,244), investor relations of $79,702 (2006: $124,109) and directors' fees of $69,917 (2006: $54,740). These categories of costs were created following the Company's listing on the AIM Market of the London Stock Exchange in July 2005 and the TSX Venture Exchange in May 2006.

Selected Quarterly Financial Data (unaudited)

Financial results:	**March 31 2007 $**	**December 31 2006 $**	**September 30 2006 $**	**June 30 2006 $**
Net income (loss) for the period	(252,200)	(201,281)	(177,580)	(225,703)
Basic and diluted (loss) per share	(0.01)	(0.00)	(0.00)	(0.01)
Balance Sheet data:				
Cash and short term deposits	**5,572,786**	7,277,347	10,573,754	10,150,992
Financial results:	**March 31 2006 $**	**December 31 2005 $**	**September 30 2005 $**	**June 30 2005 $**
Net income (loss) for the period	(404,663)	(298,795)	(190,069)	(140,171)
Basic and diluted (loss) per share	(0.01)	(0.01)	(0.01)	(0.00)
Balance Sheet data:				
Cash and short term deposits	**746,637**	2,883,207	4,891,678	1,391,824

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 are not recurring each quarter.

As an exploration stage company, the Company does not have net sales or total revenues.

The net loss for the three months ended March 31, 2007 was $252,200 (2006: $404,663). Included in the net loss for the three months ended March 31, 2007 was $71,340 (2006: $40,907) for office and general administrative expense. This increase was primarily due to the Company's need for comprehensive insurance, which first took effect in February 2006.

Also included in the loss for the three months ended March 31, 2007 are $68,404 (2006: $82,152) for professional fees, $5,900 (2006: $69,806) for investor relations, and $17,537 (2006: $72,596) for consulting and advisory fees. The expenditures for these last three categories all significantly declined in the three months ended March 31, 2007 compared to the period ended March 31, 2006 due to the Company's reduced reliance on outside expertise. As the Company was admitted to the AIM Market in July 2005 and the TSX Venture Exchange in May 2006, many expenditures associated with these two processes had been recognized in the three months ended March 31, 2006, while no comparable expenditures were recognized in the three months ended March 31, 2007.

In the three months ended March 31, 2007 director fees were $17,190 (2006: $18,115), transfer agent fees were $8,155 (2006: $10,042), and management fees were $31,500 (2006: $36,000). The expenditures for these three categories show no significant variances compared to the period ended March 31, 2006 as the Company has stabilized in terms of its Board of Directors and its management team, and has become an experienced reporting issuer.

The net loss for the three months ended March 31, 2007 also includes $6,957 (2006: $1,389) of amortization expense, and $61,996 (2006: $11,195) of interest income. The increase in amortization expense is driven by the amortization of leasehold improvements and office furniture and equipment, following the Company's move to larger premises in February 2006, while the increase in interest income reflects the increase in the Company's cash position as a result of the flow through financing in May 2006.

The last item of note is that the net loss of $404,663 for the three months ended March 31, 2006 included $25,246 of income tax recovery due to the reduction in the provincial tax rate, which no such adjustment was recorded for the corresponding period ended March 31, 2007.

Liquidity

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

	March 31, 2007 $	March 31, 2006 $	March 31, 2005 $
Cash and equivalents	**5,572,786**	746,637	1,183,691
Working capital	**5,161,131**	195,044	1,168,375
	For the year ended March 31, 2007 $	For the year ended March 31,2006 $	For the year ended March 31, 2005 $
Cash (used in)/ generated by operating activities	**(723,955)**	(1,033,436)	(205,535)
Cash used in investing activities	**(6,045,185)**	(4,670,112)	(5,267,481)
Cash provided by financing activities	**11,595,289**	5,266,494	6,656,707

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. The Company will continue to require funds for ongoing exploration work and to meet its ongoing day to day operating requirements and will have to continue to rely on equity financing during such period. The Company's activities have been funded through equity financing and the Company expects that it will continue to be able to utilize this source 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 to a level for which funding is available or can be attained.

At March 31, 2007, the Company had net working capital of $5,161,131 (March 31, 2006: $195,044), including cash and equivalents of $5,572,786 (March 31, 2006: $746,637).

In conjunction with its listing on the Exchange, Sanatana completed a public offering of 7,142,857 flow-through common shares at a price of $1.75 per common share on May 16, 2006, for gross proceeds of $12.5 million through Canaccord Capital Corporation ("Canaccord"), as agent. Proceeds of this public offering are being used for exploration on Sanatana's Mackenzie Diamond Project in a manner consistent, in all material respects, with the disclosure in Sanatana's April 2006 prospectus.. In consideration for services rendered in connection with this public offering, Sanatana paid Canaccord a cash commission equal to 6% of the gross proceeds, granted agent's warrants to acquire up to 428,571 non-flow-through common shares at an exercise price of $1.75 per common share for a period of up to 24 months, issued 100,000 non flow-through common shares to Canaccord at an issue price of $1.75 per share, and paid Canaccord $50,166 for their legal and administrative expenses incurred in connection with the public offering. Sanatana also paid Cannacord an administration fee of $7,500.

Capital Resources

The Company has a total of 40,849,651 common shares issued and outstanding as at March 31, 2007, and as of the data of this MD&A. (March 31, 2006: 33,606,794 common shares). Details of shares issued during the period are disclosed in Note 6 of the March 31, 2007 financial statements.

Escrowed Shares

Under the Canadian Securities Administrator's National policy and the TSX Venture exchange policy for 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 TSX Venture Exchange. These escrowed shares are released over a three-year automatic time release escrow, in equal tranches of 15% of the holdings being released 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. As at March 31, 2007 10,352,530 of the Company's shares remained in escrow.

Stock Options Granted

Under the terms of the Company's stock option plan Sanatana may grant incentive stock options numbering up to 10% of the number of issued and outstanding common shares of the Company to its officers, directors, employees and consultants, for purchase of common shares of the Company. Stock options are non-transferable, and expire at the end of five years from 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 current 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 at a price of $1.40 and 1,170,000 at a price of $0.75 per common share. These options will vest three years from the date of grant. An amount of $23,146, representing pro-rated vesting from date of grant to March 31, 2007, was recognized as stock based compensation expense for the period ended March 31, 2007 (2006: $nil) and added to contributed surplus in the equity section on the balance sheet,

Dividends

Sanatana has not paid any dividends in the past and does not anticipate paying dividends in the near future.

Changes to the Board of Directors and Management

Board of Director Changes

In November 2006, Messrs. Richard Prickett, Glenn Laing and Merfyn Roberts resigned as directors and officers of Sanatana because of other business interests. Mr. Edward Marlow agreed to accept the position of Non-Executive Chairman of the Board of Directors and Mr. Buddy Doyle, the Company's Vice President of Exploration, agreed to join the Board of Directors. Mr. Harley Hotchkiss remains a Non-Executive Director and Mr. Peter Miles an Executive Director, of the Company.

In December 2006, Dr. Nicholas John Archibald was appointed as a Non-Executive Director. Dr. Archibald is a geologist with more than 30 years of minerals industry experience. He is Executive Vice Chairman and Chief Executive Officer of Geoinformatics Exploration Inc, a company listed on the TSX Venture Exchange. During the course of his career, Dr. Archibald trained as field-based structural geologist/metamorphic petrologist, has a BSc Hons from James Cook University, a PhD from the University of Western Australia, and completed a Research Fellowship at Monash University in Australia. He worked for numerous Australian companies, including Golden Plateau before becoming a consultant. Dr. Archibald was the recipient of the Gibb Maitland Medal from the Western Australian division of the Geological Society of Australia and is a Fellow of the Australian Institute of Mining and Metallurgy, the Society of Economic Geologists, and the Australian Institute of Geoscientists. He has also been also elected as a Fellow of the Australian Academy of Technological Sciences and Engineering.

Management Changes

Mr. Peter Miles, previously the Company's Executive Vice President, was appointed Chief Executive Officer and President. Mr. Miles performs his new duties on a full time basis from the Company's Vancouver office.

Following the resignation of Mr. Stephen Woodhead as Chief Financial Officer, Mr. Simon Anderson has agreed to assume the position of Chief Financial Officer for Sanatana. Mr. Anderson's appointment will take effect June 30, 2007. Mr. Anderson will be based at the Company's head office in Vancouver.

Adoption of New Accounting Pronouncements

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

Comprehensive income (section 1530) is the change in a company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and 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, must 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.

Critical Accounting Policies and Estimates

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. These estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established.

Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

Significant estimates are made in respect of the Company's asset retirement obligations. The Company's proposed mining and exploration activities are subject to various laws and regulations for federal, regional and provincial jurisdictions governing the protection of the environment. These laws are continually changing. The Company believes its operations are in compliance with all applicable laws and regulations. The Company expects to make, in the future, expenditures to comply with such laws and regulations but cannot predict the full amount or timing of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements. Reclamation and remediation obligations arise from the acquisition, development, construction and normal operation of mining property, plant and equipment.

Another significant estimate relates to accounting for stock-based compensation. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the period.

Risks & Uncertainties

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

Nature of Mineral Exploration and Development Projects

The business of exploring for diamonds 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 an exploratory search 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, it may take several years in the initial phases of drilling 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.

Financing risk, until such time as the Company is cash flow positive

In the absence of cash flow from operations, Sanatana relies on the capital markets to fund operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional finance could result in delay or the indefinite postponement of further exploration and the development of the Company's properties.

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, their advisors, its employees 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 such regulation, 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 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 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 by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time.

Related Party Transactions

At March 31, 2007, the Company did not have any employees, but had arrangements with a number of contractors to provide most of the administrative, accounting, and management services required. Certain directors and significant shareholders provided management and consulting services to the Company.

***Management Agreements in the year ended March 31, 2007*:**

$	Misape Mgt	Peter Miles	1693467 Ontario	1704805 Ontario	St George Minerals	Totals
Consulting fees	-	-	-	-	57,437[(5)]	57,437
Investor relations	-	-	-	22,579[(4)]	-	22,579
Rent	-	-	-	-	18,606	18,606
Management services	71,500[(1)]	66,000[(2)]	61,805[(3)]	-	10,672	209,977
Totals	71,500	66,000	61,805	22,579	86,715	308,599

1 Fees paid or accrued to a management company, which has a common director of the Company. The director provides management and technical services.
2 Mr. Peter Miles provides financial and management services.
3 Fees paid or accrued for financial and management services performed by a company, which is controlled by a former officer of the Company.
4 Fees paid or accrued for investor relations services performed by a company, which is controlled by a former officer of the Company.
5 Fees paid or accrued for financial and administrative services performed by a company, whose director is a former of the Company.
6 In addition to the above, fees for directors totalled $69,917

Contractual Obligations and Commitments

a. Sanatana had no capital expenditure commitments as at March 31, 2007 (March 31, 2006: nil).

b. Under the terms of non-cancellable operating leases, the Company is committed to rental payments as follows (Canadian Dollars):

	2008	**2009**
Operating Leases (office)	$74,000	$62,000

c. Under the terms of a contract with Aeroquest International Ltd., the Company will pay Aeroquest a total of $524,000 for an airborne survey in the North West Territories, with the following stipulations: 30% upon crew arrival at base of operations, 40% upon completion of data acquisition, and 30% upon delivery of data reports. As at March 31, 2007, Sanatana has a remaining commitment of $380,000 on the contract.

d. Under the terms of the Flow-through financing of $12.5 million that was completed May 16, 2006, Sanatana is restricted to using these proceeds only for qualifying exploration expenditures relating to Canadian properties. Sanatana has renounced $6,095,958 of tax benefits to subscribers for the period ended Dec 31, 2006. As that date the remaining balance available for eligible expenditures was $6,404,042. During the three months ended March 31, 2007 Sanatana has spent $1,390,899 on eligible exploration expenditures, and has a balance remaining for eligible exploration expenditures of $5,013,143.

Off-Balance Sheet Arrangements and Contingent Liabilities

Kennecott deposited a $5 million letter of credit on the Company's behalf to fulfil bonding requirements for the 2006/2007 exploration season. Following the completion of the season, and recognizing a shortfall in expenditures incurred to fulfil all bonding conditions, the Company recognized a liability of $80,816 in the financial statements dated March 31, 2007.

Outlook

Calendar 2007 is expected to be an important year for the Company. The Company has mobilized ground crews to the Green Horn area, where till sampling had revealed at least three separate indicator mineral dispersion trains. The most prominent indicator dispersion train has been traced to its termination based on till sampling at about 300 metre spaced grid density. Geophysical surveys have revealed a distinct magnetic high, 250 metres by 150 metres, right at this location. A drill program to test these targets will begin as soon as a Land and Water Use permit is in hand.

In January 2007 the Company began the application process which requires community consultation and traditional knowledge studies. In the past the permit process has taken between three to five months to complete. The targets revealed by the airborne survey are on, or near dry land, and can therefore be drilled all year round. It should be noted that, per the Company's agreement with Kennecott Canada Exploration Inc., Kennecott is currently funding 15% of ongoing exploration costs that the Company incurs on its McKenzie Diamond project.

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

Disclosure controls and procedures and internal controls over financial reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's President and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. The Company's system of disclosure controls and procedures includes, but is not limited to, our Board's Corporate Governance Guidelines and effective operation of the Audit Committee and procedures in place to systematically identify matters warranting consideration of disclosure by the Audit Committee.

As at the end of the period covered by this management's discussion and analysis, management has evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting as required by applicable Canadian Securities Laws. Such modifications or enhancements to the existing controls and procedures have been designed, as determined necessary to obtain reasonable assurance as to the effectiveness of such controls at this time. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances.

Based on that evaluation, the President and Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*) and other reports filed or submitted under applicable Canadian securities laws, is recorded, processed, summarized and reported within time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Item 4(c) of Form 52-109F1 *Certification of Annual Filings* requires the Company's President (CEO) and CFO to certify that they have designed the Company's internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP. While the Company's certifying officers have concluded that they are able to make those certifications as required by applicable Canadian securities laws, management of the Company wishes to provide additional disclosure in this management's discussion and analysis regarding the condition of the design of the Company's internal control over financial reporting in view of certain weaknesses that were identified by management. These weaknesses were identified when management, with the participation of the Company's President, evaluated the condition of the Company's design of internal control over financial reporting as at the end of the period covered by this management's discussion and analysis, as contemplated by CSA Staff Notice 52-316 *Certification of Design of Internal Control over Financial Reporting.*

While management believes that control over bank accounts and Company assets is adequate, it is also aware that internal control weaknesses were identified is respect of a lack of segregation of duties, and a high risk of management override of controls and procedures. It is management's opinion that these weaknesses in internal controls over financial reporting are inherently related to the small size of the issuer.

Item 4 of form 52-109F2 *Certification of Interim Filings* requires the Company's President (CEO) and CFO to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the interim period that has materially affected, or is likely to materially affect, the issuer's internal control over financial reporting. No such changes in internal control over financial reporting have been made during the most recent interim period.

Subsequent Events

On June 11, 2007 Sanatana announced that Mr. Simon J. Anderson CA has agreed to join the Company as Chief Financial Officer. Mr. Anderson will oversee all of the Company's financial, corporate governance and public disclosure matters. His appointment will take effect on June 30, 2007.

Supplement to the Financial Statements

As at June 20, 2007, the following items were issued and outstanding:

- 40,849,651 common shares;
- 8,282,024 escrowed shares;
- 3,170,000 stock options; 1,170,000 exercisable at $0,75 and 2,000,000 exercisable at $1,40 with an vesting date of March 26, 2010, and en expiry date of March 26, 2012.
- 428,571 share purchase warrants with an exercise price of $1.75 per share and an expiry date of May 15, 2008.

June 20, 2007