SANATANA DIAMONDS INC.
For the Year Ended March 31, 2008

Management's Discussion and Analysis

This management's discussion and analysis ("MD&A") contains certain forward-looking statements that are prospective and reflect management's expectations regarding Sanatana Diamonds Inc.'s ("Sanatana" or the "Company") future growth, results of operations, performance and business prospects and opportunities. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. All statements, other than statements of historical fact, included herein, including without limitation, statements regarding potential mineralization and reserves, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, exploration results and future plans and objectives of Sanatana are forward-looking statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Sanatana's expectations are disclosed in its documents filed from time to time with the TSX Venture Exchange (the "Exchange") and other regulatory authorities and include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore to be mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Sanatana undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

SANATANA DIAMONDS INC.
For the Year Ended March 31, 2008
Management's Discussion and Analysis

Introduction

This MD&A has been prepared as of June 20, 2008 and should be read in conjunction with the Company's audited annual financial statements and related notes for the year ended March 31, 2008. This MD&A is intended to provide the reader with a review of the Company's performance for the year ended March 31, 2008 through to the date of this report and the factors reasonably expected to impact future operations and results.

The financial statements and related notes of Sanatana have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). All financial amounts in this MD&A are in Canadian dollars, except where otherwise indicated.

Outlook

The Company discovered its first kimberlite, the "Dharma Kimberlite" on October 1, 2007. The discovery was achieved by drill testing a prominent magnetic anomaly at the head of an indicator train in the Greenhorn area, Northwest Territories. One tonne of kimberlite was sent to the laboratory at Kennecott Canada Exploration Inc. ("Kennecott") in Thunder Bay for caustic fusion testing for diamonds. Encouragingly this sample returned diamonds including a relatively large 0.55ct stone. This not only bodes well for finding more diamondiferous kimberlites in the Greenhorn area, it provides strong evidence that the entire ground holding is prospective as this proves the postulated Mackenzie terrain (craton) is diamond bearing.

The Company has mobilized field crews to the camp at Greenhorn to conduct additional geophysics including ground magnetics, EM and gravity surveys. Drill testing of approximately nine potential kimberlite targets commenced in March 2008 and completed in May 2008. This drilling discovered the new kimberlite "Dharma Uttar" just north of the Dharma Kimberlite. Nine holes have now been drilled in the Dharma Kimberlite and Dharma Uttar kimberlite complex and 524 kilograms of kimberlite drill core have been sent for diamond analysis.

The Company's initial focus of its 2008 exploration program was to look for more kimberlite around the Dharma Kimberlite discovery and Greenhorn project, which is just one of at least six widely separate areas where the dispersion of indicator minerals suggests other kimberlite fields. It is rare that kimberlites occur by themselves as they usually occur in groupings called fields and the average population of kimberlite in a field is 30. The Company finished its program of diamond drilling at Greenhorn completed in May 2008.

Drilling will recommence in July 2008 using an RC drill rig purchased by the Company. This RC drill will be able to drill key targets that were not tested in earlier in 2008 due to lack of water. The RC rig will continue the Company's systematic exploration program of the Greenhorn area which is focused on defining the size and membership of the kimberlite field around the Dharma discoveries. The exploration program is primarily driven by geophysics: drill testing magnetic, EM and gravity anomalies. However, regional till sampling shows evidence of several other indicator mineral sources in the Greenhorn area distal to the Dharma discoveries.

Sanatana is planning a second program of exploration drilling in 2008 at the Company's Colville Lake project, which has already received land and water use permits. The Colville area sampling was concentrated down ice of prominent magnetic anomalies and results to date show a number of magnetic anomalies that have significant indicator mineral trains consistent with diamondiferous kimberlite pipes. The Company has budgeted approximately $1.7 million for this drill program.

In 2007, mineral anomaly, airborne magnetic and EM surveys were completed on the Simpson project, where the Company has a 25 kilometre by 15 kilometre indicator mineral anomaly. This generated numerous magnetic anomalies. Four of these anomalies were followed up with ground surveys and three returned encouraging potential kimberlite anomalies, the largest being 350 metres across. Additional surveys will be conducted in 2008 while land and water use permits are applied for. Finally, the Company will conduct till sampling and airborne geophysics on its Yeltea, Horton and Estabrook projects.

Qualified Person

Sanatana's exploration programs are carried out under the supervision of the Company's vice president of exploration, Mr. Buddy Doyle. Mr. Doyle meets the qualified person requirements (as defined by National Instrument 43-101) with more than 26 years of experience in the gold and diamond exploration industry and is responsible for the geoscientific and technical disclosure contained in this document.

Background

Sanatana was incorporated under the British Columbia *Business Companies Act* on June 25, 2004. On July 28, 2005, the Company's common shares were admitted to the Alternative Investment Market of the London Stock Exchange plc. ("AIM") under the symbol "SAN". On November 30, 2005, a receipt was issued for the Company's non-offering prospectus, making the Company a reporting issuer in every province and territory of Canada, except Quebec.

On May 17, 2006, the Company's common shares commenced trading on the Exchange under the symbol "STA". The Exchange classifies the Company as a mining exploration/development company. The Company's nominated adviser on AIM is Seymour Pierce Limited.

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

Nature of Business

Since its inception in June 2004, Sanatana's exploration activities have been carried out solely in the Northwest Territories and Nunavut, Canada, where the Company prospected and explored for diamonds at the Mackenzie Platform. The Company's exploration project is located north of Great Bear Lake and approximately 700 kilometres northwest of Yellowknife. As of June 12, 2008, Sanatana holds approximately 5.9 million acres of ground under claims and permits. A further 400,000 acres have been staked in the Greenhorn and Colville areas. The primary strategy of the Company is to capture the majority share of a potential new diamond region in Canada. The initial large land holding was secured on the basis that the Company's neighbouring explorer, Diamondex Inc., reported the recovery of diamonds from the Iroquois and Anderson River systems, indicating the entire Mackenzie Platform might be prospective for diamonds. The discovery of the diamondiferous Dharma Kimberlite pipe and numerous positive diamond indicator mineral anomalies obtained by Sanatana to date are evidence that this strategy is sound.

Technical Note: A Brief Explanation of Diamond Exploration:

Scientific studies have shown that diamonds are formed at high pressures and temperatures deep in the Earth's mantle, and can be preserved under older, colder parts of continents. The diamonds sit at this depth for eons after they are formed until they are picked up and brought to the surface by deep-seated magmas that erupt to make small volcanoes and craters. The most common of these diamond bearing magmas are called kimberlite. This volcanic rock type makes up most of the world's diamond mines. Kimberlites form dykes, pipes and craters, can vary in size from one metre to 2.5 kilometres across and usually occur in swarms. This means that where one kimberlite is found, one will usually find many others. Kimberlites have occurred throughout earth's history but tend to form in pulses.

Once the eruption is finished and everything is cool and quiet, erosional processes take over and the minerals in the kimberlite, including diamonds, are dispersed. Most exploration companies look for minerals, called indicator minerals, occurring with the diamond rather than the diamonds directly as indicator minerals are of an order of magnitude more abundant and therefore less expensive to find. These minerals (pyrope garnet, picro-ilmenite, chrome diopside, chromite) were made at the same high temperatures and pressures as diamonds. Their chemistry is unique; no other minerals found on the surface of the earth share this chemistry. When these unique indicator minerals are found, it is considered direct evidence of diamond mineralization.

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

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

Once a source area of indicator minerals is isolated, the Company conducts geophysical testing from the air and on the ground looking for the pipe-like or circular features that may represent kimberlite. These features are then drill tested.

If kimberlite is encountered during drilling, it is then assayed for diamonds. Given positive results, the process would then proceed to bulk sampling for grade and value, feasibility, permitting and then to mining.

The Sanatana-Kennecott Joint Venture

The Company has a joint venture agreement with diamond producer Kennecott, a subsidiary of Rio Tinto plc. Pursuant to the joint venture, the Company acts as the operator and Kennecott has a 15% interest (refer to *Significant Events and Transactions* below). In addition, Kennecott has provided the services of a geologist and a geophysicist, who are both experienced in diamond exploration, to Sanatana.

Exploration Programs

Till samples taken from Sanatana's Mackenzie diamond project over the last four years have identified six separate areas as having anomalous diamond indicator minerals in glacial till. Each separate area is thought to represent a potential kimberlite field containing multiple kimberlite pipes. The chemistry from these indicator minerals shows that they where formed at the same pressures and temperatures as diamonds.

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

TABLE 1: Diamond distribution in CIM sieves (mm)

Combined Weight (kg)	0.106 Sieve	0.15 Sieve	0.212 Sieve	0.3 Sieve	0.425 Sieve	0.6 Sieve	0.85 Sieve	1.18 Sieve	1.7 Sieve	2.36 Sieve	3.35 Sieve	TOTAL
1008.9	220	138	94	38	24	17	3	0	1	0	1[2]	536

The Company plans more drilling on this target, as this discovery indicates exploration strategy is working and that the postulated Mackenzie craton is diamondiferous. The Dharma Uttar was discovered to the north of the Dharma Kimberlite and approximately 380 kilograms of sample has been sent to the laboratory for analysis.

The Company believes these kimberlites are just the first discovery of diamondiferous kimberlite and many more will be found at Greenhorn and elsewhere there are similar coincident magnetic anomalies and indicator minerals.

The Company had one unsuccessful drilling program in 2006 in the Kilkale area where the drill targeted magnetic anomalies. These targets had no supporting indicator mineral anomaly. The Company has since changed focus to testing only areas where geophysical anomalies and indictor minerals are coincident.

Significant Events and Transactions

In July 2006, Kennecott contributed $2.5 million to the Company's 2006 exploration program. On January 1, 2007, Kennecott earned a 15% interest in Sanatana's Mackenzie diamond project, which is now run as a joint venture. The Company manages and operates the exploration programs and Kennecott has the right to earn additional rights in any individual kimberlite project within the Company's Mackenzie diamond project on the following basis:

- Kennecott may earn up to an additional 49% interest (15% plus up to 34% for a 49% total interest) in each individual project by completing, at its sole expense, a bulk sample and positive feasibility study within four years; and

- Kennecott may earn a further 11% interest (in addition to the 49% interest for a maximum 60% total interest) in each individual project by solely funding and managing all future evaluation through to such time as a decision to mine is made, provided that a decision to mine is made within 20 years of Kennecott earning an initial 49% interest in the individual project.

In January 2008, an affiliate of Kennecott completed a subscription for common shares of the Company. The affiliate, QIT-Fer et Titane Inc., acquired 641,025 common shares at $1.56 per share.

Exploration Update

Highlights

- In April 2008, the Dharma Uttar kimberlite was discovered on the Greenhorn project.
- In October 2007, the Dharma Kimberlite was discovered on the Greenhorn project.
- Caustic fusion has shown this kimberlite to be significantly diamondiferous with a relatively large 0.55ct stone being recovered from this relatively small sample.
- Approximately 380 kilograms of kimberlite have been sent from the Dharma Uttar drilling for diamond analysis.
- A 4,300 line kilometre airborne magnetic survey (the sulky survey) has been completed in the Greenhorn area to aid in the search for more kimberlites.
- Ground geophysical surveys have highlighted several other targets in the Greenhorn area which the Company will drill test in the first quarter of 2008.
- The 2007 summer exploration program was completed and 1,200 till samples were collected. This program was mainly designed to follow-up and focus in on the source of the known indicator anomalies.
- The most prominent till anomalies sites are known as:

    - Greenhorn
    - Yeltea
    - Horton
    - Colville
    - Simpson
    - Estabrook

  These sites all contain indicator minerals with chemistry that is positive for diamond mineralization.

- The ground geophysical crews recently completed magnetic surveys in the Simpson area which appear to show the characteristics of kimberlite. This area has now been slated for drill testing. The Company will conduct further surveys and apply for a land use permit in the area.

Sampling

The Greenhorn, Yeltea, Colville and Simpson indicator anomalies were prioritized due to their higher indicator mineral counts and the presence of abundant fosteritic olivine. Of all diamond indicator minerals, olivine is the most susceptible to chemical and physical weathering and its presence suggests that the Company may be close to source. During its 2007 summer exploration program in these areas, the Company took 1,200 follow-up till samples to further define the source areas. More than half of the results have been received and preliminary analysis shows that this sampling is confirming and enhancing all these area. The sampling down ice of magnetic anomalies in the Colville area has highlighted a number of these targets and down graded others. This will greatly aid the Company's planned 2008 drilling program.

Land position

The Company's land holdings are continually changing based on drilling results, exploration and Canada's mining regulations. The Company initially held ground in the form of prospecting permits and, at the beginning of 2006, its area held under permits totalled 16.5 million acres. Based on exploration results, the Company is focusing on the most prospective areas and now holds 5.9 million acres under permit. Prospecting permits located below 68 degrees latitude have a three-year life and many of these expired in 2006. The Company staked mineral claims in this zone over areas of interest during 2006. In total, helicopter-supported crews staked 1,222,281 acres of mineral claims. North of 68 degrees latitude, map permits have a five-year life and the Company's permits will not expire until 2009. The Company is currently staking approximately 400,000 acres in the Greenhorn and Colville areas.

Airborne and ground follow-up surveys

In March 2007, the Company deployed a helicopter-based EM and magnetometer survey over the Greenhorn, Yeltea and Simpson areas using 100 metre line spacing, of which, final results were received in May 2007. This survey was designed to locate the source of diamond indicators. Ground geophysical crews followed up on several targets in the Greenhorn area prior to and during the spring melt and generated drill targets focused on magnetic anomalies. The most prominent of these, dubbed "G14", is a 250 metre by 130 metre isolated magnetic anomaly that is at the termination of a major indicator mineral train.

This was the target tested which led to the Dharma Kimberlite discovery. In October 2007 the company flew a 4,200 kilometre magnetic survey, designated the sulky survey which encompassed the area of interest around the Greenhorn area. The survey has revealed more kimberlite targets.

The Company has completed 40 magnetic surveys, 14 gravity surveys and four Max Min surveys on the Greenhorn area since the middle of March 2008. The RC program will drill test the anomalies generated by this work.

Drilling programmes

In August 2007, the Company was awarded a land and water use permit required to commence drilling at Greenhorn. A camp was constructed during September and drilling commenced on September 30, 2007. The Dharma Kimberlite was intersected on October 1, 2007. Three holes where drilled into this target to obtain a one tonne caustic fusion sample. Drilling was shut down with the onset of seasonal freezing. The Company intends to bring the drill back in the first quarter of 2008 to test other geophysical targets in the area.

The Company holds a drill permit around the Kilkale Lake area but camp was dismantled at this location for use in the Greenhorn program. Upon final clean up of this campsite, the Company will seek to close this land use permit and will await the 2008 thaw to make a last inspection of the ground.

The Company also holds a land and water use permit in the area around Colville Lake. This permit allows Sanatana to drill up to 30 magnetic targets situated within a 60-kilometre radius of the hamlet of Colville Lake. The Company took till samples down ice from many of these targets during its 2007 summer sampling program. Many of these samples returned with diamond indicator minerals which enhanced and prioritized the pipe-like geophysical anomalies. These anomalies will be targeted for drilling in summer 2008.

The Company has begun preparations to obtain a land and water use permit in the Simpson area, by arranging community consultations at Paulatuk.

Discovery: Diamond Results

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

TABLE 1: Diamond distribution in CIM sieves (mm)

Combined Weight (kg)	0.106 Sieve	0.15 Sieve	0.212 Sieve	0.3 Sieve	0.425 Sieve	0.6 Sieve	0.85 Sieve	1.18 Sieve	1.7 Sieve	2.36 Sieve	3.35 Sieve	TOTAL
1008.9	220	138	94	38	24	17	3	0	1	0	1[2]	536

1 The Thunder Bay Laboratory of Kennecott is assessed and registered by Intertek Testing Services NA Ltd. as conforming to the requirements of ISO 9001-2000.

2 This diamond measured 5.10 x 4.50 x 3.5 mm and weighed 0.55 carats; it is described as an octahedral aggregate, grey in colour and translucent. The five stones that sit above the 0.85 mm sieve weigh, in aggregate, 0.76 carats. The results between the separate holes and batches appear consistent. There are multiple kimberlitic phases within the Dharma Kimberlite and some of the caustic fusion samples have two to three times the average stone count of the other samples. It is too early to see any pattern to this stone distribution. The diamonds are described as being 54% white in colour and 32% have octahedral crystal habits. The largest stone 2 weighed 0.55 carats and measured 5.1 x 4.5 x 3.5 mm, falling on a 3.35 mm sieve. The Dharma Kimberlite was intersected by four drill holes. The first hole was vertical, 180 metres in length and ended in kimberlite. The second was a 60 degree angle hole collared from the same location on an azimuth of 335 degrees that exited kimberlite at 43 metres into the country-rock, dolomite. The third hole, a vertical hole collared approximately 10 metres to the east, ended at 208 metres in kimberlite. The fourth hole, collared from the location of the third hole angled at 60 degrees on a due east azimuth, exited kimberlite after five metres. The samples were taken from the first three holes.

A total of 524 kilograms of sample was sent from the Dharma Uttar kimberlite discovery for diamond analysis.

Management sees this as a positive result (more drilling is planned to determine size) as it shows the Company's exploration strategy, four years in the making, hopefully portends further discoveries in the future, not only in the Greenhorn area but elsewhere in our land holdings. The reason for this optimism is that kimberlites rarely occur alone, but in families, so the Company expects to locate more in the Greenhorn area. Also once a terrain is proven to be diamondiferous it can be inferred that the whole terrain will have diamond potential. This idea is reinforced by the presence of separate indicator mineral anomalies in our land holdings. These indicator minerals have chemistry consistent with diamond mineralization.

Base Metal Potential

During the Company's till sampling program, which was designed to find diamonds and their indicator minerals, Sanatana directed a portion of its samples to multi-element trace element analysis. This work revealed five separate areas with elevated zinc (>250 ppm), lead and silver in the till. The highest zinc value found in the till to date is 0.3%. Up to 360 ppm of lead and up to 1.4 ppm of silver were also recorded. Ground traverses in one of these areas have recovered galena and sulphide float. The zinc anomalies appear to be associated within Ordovician limestone. Elsewhere, these same limestones host known mineralization such as the Pine Point, Polaris and Nanasivik, all past producers of lead, zinc and silver. This style of mineralization is known as Mississippi Valley and the Company is using this model to find the source of the anomalies and float.

Budget

The budget for fiscal 2009 is $8.7 million. The budget is dependent on exploration success and could increase if results warrant accelerated activity.

1. Exploration Expenditures

Mineral exploration costs formed the bulk of the Company's expenditures in the period. These costs are set out in the following table:

Year ended	March 31, 2008	March 31, 2007	March 31, 2006
Acquisition costs	$ 4,276	$ 232,830	$ 188,970
Helicopter and fixed wing aircraft	3,598,029	3,978,563	3,580,335
Sampling and assays	565,006	1,383,889	1,537,325
Contractor and consulting	2,648,161	2,563,676	992,842
Project management fees	86,000	76,000	304,432
Field and camp	649,971	646,045	196,037
Transport and accommodation	673,340	895,568	734,339
Expediting	65,142	327,412	116,110
Other expenses	80,065	35,007	72,286
Reclamation provision	-	-	120,000
Total exploration costs for the period	9,471,103	10,138,990	7,842,676
Reimbursable bonds and deposits	938,985	(1,853,938)	(55,673)
Kennecott option and contribution payments	(1,670,345)	(2,500,000)	(2,500,000)
Net expenditures	$ 7,638,630	$ 5,785,052	$ 5,287,003

During the year ended March 31, 2008, the Company recovered $73,723 in respect of 2006 lab sampling that was done incorrectly, resulting in "sampling and assays" in the current year to date reflecting a lower number than sampling activity would suggest.

2. Selected Annual Information

Year Ended	March 31, 2008	March 31, 2007	March 31, 2006
Financial results:			
Net loss for the year	$ (531,608)	$ (856,764)	$ (1,033,698)
Basic and diluted loss per share	(0.01)	(0.02)	(0.03)
Balance sheet data:			
Cash and short term deposits	10,058,876	5,572,786	746,637
Mineral properties	23,657,815	16,019,185	10,234,133
Total assets	35,523,328	21,843,832	11,435,623
Future income tax liability	4,370,601	3,002,618	922,677
Shareholders' equity	29,989,135	18,281,662	9,786,282
Cash flow data:			
Exploration expenditures	8,750,895	8,500,683	7,395,642
Option payment – Kennecott	447,089	2,500,000	2,500,000
Common share proceeds (gross)	$ 15,118,970	$ 12,500,000	$ 5,095,733

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 mineral property expenditures are described elsewhere in this MD&A.

3. Selected Quarterly Financial Data

Quarter Ended	Cash and short term deposits	Mineral Properties	Income (Loss) for the Quarter	Income (Loss) per Share	
				Basic	Fully Diluted
June 30, 2006	$ 10,150,992	$ 12,557,266	$ (225,703)	$ (0.01)	$ (0.01)
September 30, 2006	10,573,754	12,156,125	(177,580)	(0.00)	(0.00)
December 31, 2006	7,277,347	14,251,589	(201,281)	(0.00)	(0.00)
March 31, 2007	5,572,786	16,019,185	(252,200)	(0.01)	(0.01)
June 30, 2007	3,560,890	17,688,321	(196,962)	(0.00)	(0.00)
September 30, 2007	2,373,801	19,144,011	(210,074)	(0.00)	(0.00)
December 31, 2007	3,632,878	20,923,330	(557,223)	(0.01)	(0.01)
March 31, 2008	10,058,876	23,657,815	432,651	0.01	0.01

The Company is an exploration stage company and did not have any sales or revenues, nor has it had any extraordinary items or discontinued operations in the most recent eight fiscal quarters. As the Company is still in the exploration stage, variances in its quarterly losses are not affected by sales or production-related factors. Variances by quarter reflect overall corporate activity and are also affected by factors which may not recur each quarter.

In the quarter ended June 30, 2006, the Company's common shares commenced trading on the Exchange. The loss in the quarter decreased from the previous quarter as there were no further expenses relating to the listing and fell back to within a normal quarterly range of $175,000 to $250,000.

The quarterly loss decreased in the quarter ended September 30, 2006, attributable only to higher interest income earned on short-term deposits.

For the quarter ended December 31, 2006, the Company's loss increased due to higher travel expenses attributable to management visits to the project area, attendance of directors at in-person board meetings, and attendance at an industry-focused conference in London, UK. The Company also incurred significantly higher management fees and office and administration expenses than those in the comparable quarters of fiscal 2006 due to the higher level of exploration activities and resultant expansion of office facilities and management structure. These higher costs were offset by lower investor relations expenses, as compared to the previous quarter.

The loss for the quarter ended March 31, 2007 increased because of higher travel and accommodation expenses, year-end professional fee accruals and reduced interest income from short-term deposits.

In the quarter ended June 30, 2007, the loss decreased as travel decreased and there was no need to accrue an audit fee. In the quarter ended September 30, 2007, the loss increased slightly and a decrease in stock-based compensation was offset by higher travel and accommodation costs due to fundraising activities.

The significant increase in the loss for the quarter ended December 31, 2007 was primarily attributable to stock-based compensation, although this did not represent a cash outflow to the Company.

The loss for the quarter ended March 31, 2008 decreased as stock based compensation went from an expense of $515,000 in the December 31, 2007 quarter to a recovery of $138,000 in the March 31, 2008 quarter. Offsetting this cost reduction were increased travel costs associated with visits to the exploration property, investor relations activity and the year-end audit accrual. The Company also recorded a $581,000 future income tax recovery as a result of reduced income tax rates enacted by the Canadian government, which resulted in income for the quarter.

4. Results of Operations for the Year Ended March 31, 2008

The net loss for the year ended March 31, 2008 was $531,608 (2007 - $856,764). For the year ended March 31, 2008, many expenses did not change significantly. Some other expense items were more variable and warrant further discussion:

- Investor relations expense includes the cost of communications with shareholders. Since the beginning of 2007, the Company has undertaken investor relations in-house, with the Company's president now handling the investor relations function directly rather than hiring a contractor. As a result, investor relations expense decreased in the current period. Some investor relations costs were previously included in "office and administration". Prior period expenses have been reclassified to conform to the presentation used in the March 31, 2008 financial statements.

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

- Stock-based compensation of $476,251 (2007 - $23,146) represents recognition of the fair value of stock options granted over their vesting term, calculated using the Black-Scholes option-pricing model. The options were awarded in March 2007 and vested over three years, so fiscal 2008 had a full year of expense while fiscal 2007 had only five days' expense.

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

- The Company generated a future income tax recovery of $715,000. This represented a reduction in future income taxes attributable to flow-through financings as a result of reductions in the federal income tax rate. There was no such provision in the comparative period.

5. Results of Operations for the Three Months Ended March 31, 2008

The Company recorded income for the three-month period ended March 31, 2008 of $432,651 (2007 – loss of $252,200):

Quarter Ended	March 31, 2008	December 31, 2007	March 31, 2007
Stock-based compensation	$ (138,000)	$ 515,000	$ 23,146
Investor relations	27,298	12,745	3,260
Other expenses	328,208	194,321	287,790
	(217,506)	(722,066)	(314,196)
Interest income	69,157	30,843	61,996
Pre-tax loss	(148,349)	(691,223)	(252,200)
Future income tax recovery	581,000	134,000	-
Income (loss) for the period	$ 432,651	$ (557,223)	$ (252,200)

Most fourth quarter expenses were broadly similar to the third fiscal quarter with the exception of stock-based compensation. In the third quarter, the Company recorded stock-based compensation of $515,000 but this turned to a recovery of $138,000 in the fourth quarter. The options awarded vest over time and most were granted in fiscal 2007 to contractors for which options are valued at the date of vesting and are revalued over the vesting period. The Company's share price was $1.80 at December 31, 2007 but fell to $1.00 at March 31, 2008 with a commensurate decrease in the value of unvested options to contractors. The remaining expenses showed a typical fourth quarter increase: professional fees rose due to the year-end audit accrual and attendance at an annual prospectors' conference increased investor relations and travel expenses.

The future income tax recovery increased in the fourth quarter as lower tax rates were enacted with the result that the future income tax liability resulting from the Company renouncing expenditures decreased. The amount of the decrease ($581,000) was recorded as a future income tax recovery in the quarter.

6. Changes in Financial Condition Since Last Year End

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

- Cash has increased by $4,486,090 reflecting cash raised through equity offerings less net operating expenditures and reimbursement of exploration expenses received from the Company joint venturer.

- Mineral properties increased by $7,638,830 on account of exploration activities at the Company's Mackenzie diamond project.

- Future income taxes increased by $1,367,983 representing the future tax liability resulting from the Company renouncing expenditures in favour of investors offset by the benefit of reduced income tax rates on liabilities previously accrued.

- Common shares increased by $11,712,640. The Company undertook two equity offerings in the period, but renounced expenditures in favour of flow-through investors. The resulting future income tax liability is treated as an offering cost at the time the expenditures are renounced.

- Contributed surplus increased by $476,251 being the value of stock-based compensation recognized in the period

- Deficit increased by $531,608 as a result of the Company's loss for the period.

7. Liquidity

The following table summarizes the Company's cash on hand, working capital and cash flow:

As at	**March 31, 2008**	**March 31, 2007**
Cash and equivalents	$ 10,058,876	$ 5,572,786
Working capital	10,319,827	5,161,131
Year ended	**March 31, 2008**	**March 31, 2007**
Cash used in operating activities	(736,021)	(723,955)
Cash used in investing activities	(8,623,702)	(6,045,185)
Cash provided by financing activities	13,845,813	11,595,289
Change in cash	$ 4,486,090	$ 4,826,149

With $10,058,876 in cash at March 31, 2008, the Company has enough cash to last at least 12 months. At March 31, 2008, the Company had 3.2 million warrants exercisable at $0.35 and 3.4 million warrants exercisable at $0.30. These warrants were in the money and the Company expects that many of these will be exercised before they expire in April 2009, although there can be no assurance that any warrants will be exercised.

The Company's activities have been funded primarily through equity financing and the Company expects that it will continue to be able to employ this form of financing. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

8. Share Capital

As at the year ended March 31, 2008 the Company had 62,319,254 common shares issued and outstanding compared to 40,849,651 common shares as at March 31, 2007.

In February 2008 the Company closed a private placement of 4,200,055 units and 2,793,500 flow-through shares at a price of $1.35 per unit and $1.55 per flow-through share, raising total gross proceeds of $9,999,999. The units consist of one common share of the Company and one-half of one warrant, each whole warrant entitling the holder to purchase one common share of the Company at an exercise price of $1.65 for a period of 18 months following the closing. A syndicate of agents led by Genuity Capital Markets and including J.F. Mackie & Company Ltd., Haywood Securities Inc. and Raymond James Ltd. acted as agents in connection with the brokered portion of the private placement. The agents received broker warrants to purchase in aggregate 489,549 common shares of the Company at an exercise price of $1.35 for a period of 12 months following the closing. The Company has agreed to renounce exploration expenditures totalling $4,329,925 before December 31, 2009. Share issuance costs associated therewith totalled $1,065,329.

On January 16, 2008, the Company completed the subscription for common shares of the Company by an affiliate of Kennecott Canada Exploration Inc. The affiliate, QIT-Fer et Titane Inc., acquired 641,025 common shares at a price of $1.56 per share.

In October 2007, the Company closed a brokered private placement consisting of 6,846,420 non flow-through shares and 6,669,000 flow-through shares. Attached to the non flow-through shares are share purchase warrants to purchase 3,423,210 additional non flow-through shares at a price of $0.30 per share for an 18-month period, and attached to the flow-through shares are 3,334,500 share purchase warrants priced at $0.35 per share exercisable for an 18-month period. The private placement raised gross proceeds of $3,712,305 and the Company paid offering expenses estimated of $344,684. Through to December 31, 2007, the Company renounced the full amount in tax deductions in respect of the $2,000,700 flow-through component of the private placement.

In May 2006, the Company completed a $12,500,000 flow-through financing. Through to March 31, 2008, the Company renounced tax deductions totaling $12,100,000 in favour of subscribers to the 2006 flow-through financing. As at March 31, 2008, the remaining balance required to be spent on eligible expenditures was $5,139,155 (March 31, 2007 - $5,013,143).

Escrowed Shares

At the date the Company's shares were listed on the Exchange, 13,803,373 of the Company's shares were placed in escrow. These escrowed shares are to be released over a three-year automatic time-release in equal tranches of 15% of the holdings at six-month intervals, and with 10% of the holdings exempt from escrow on the date the Company's shares were first listed on the Exchange. The anniversary dates for escrow release are May 16 and November 16 of each year. On both May 16, 2007 and November 16, 2007, 2,070,506 shares were released from escrow; as of the date of this MD&A, 6,211,518 common shares remain in escrow.

Stock Option Plans

In 2005, the Company's shareholders approved a stock option plan (the "2005 Option Plan") which is a "rolling" plan that provides for the issuance to directors, officers, consultants and employees of the Company of up to 10% of the common shares of the Company that have been issued and are outstanding at the date of the stock option grant. The 2005 Option Plan was amended and restated in 2006 to comply with the requirements of the Exchange. On July 18, 2007, the Company's shareholders approved a new stock option plan (the "2007 Option Plan"), which is a continuance of the 2005 Option Plan. The 2007 Option Plan is governed by the laws of British Columbia.

Stock options are non-transferable and expire at the end of five years from the date of grant, or 90 days after the termination of employment or other contracting arrangement of the option holder. The board of directors of the Company determines the exercise price, which may be no less than the market price at the day of grant.

On March 26, 2007, the Company granted a total of 3,170,000 stock options to its directors, officers, employees and consultants, exercisable for a period of five years. 2,000,000 of the options were granted at a price of $1.40 and 1,170,000 were granted at a price of $0.75 per common share. These options will vest three years from the date of grant.

On July 18, 2007, the Company granted 300,000 stock options to an officer, exercisable for a period of five years at a price of $0.75 per common share.

On April 25, 2008 the Company granted 1,200,000 stock options to directors and officers of the Company at a price of $1.35 each for a term of five years. The Company also granted 400,000 stock options to contractors at a price of $1.00 each for a period of five years. The Company also accelerated the vesting of options previously issued with a three-year vesting term so that the options now vest in tranches over an 18-month period from the date of grant.

Dividends

Sanatana has not paid any dividends in the past and does not expect to pay any dividends in the near future.

9. Changes to the Board of Directors and Management

Board of Director Changes

There were no changes to the board of directors during the year ended March 31, 2008.

Management Changes

Following the resignation of Mr. Stephen Woodhead as chief financial officer, Mr. Simon Anderson assumed the position of chief financial officer for Sanatana effective June 30, 2007.

10. Adoption of New Accounting Pronouncements

A complete description of the Company's accounting policies and recently released Canadian accounting standards is provided in notes 3 and 4 of the annual financial statements.

Effective April 1, 2007, Sanatana adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"): "Comprehensive Income" (Section 1530), "Financial Instruments – Recognition and Measurement" (Section 3855) and "Financial Instruments – Disclosure and Presentation" (Section 3861).

- Comprehensive Income (Section 1530) involves changes in a company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders. It includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments.

- Financial Instruments – Recognition and Measurement (Section 3855) requires that all financial assets, except those classified as held to maturity, and derivative financial instruments be measured at fair value. Fair values are determined directly by reference to published price quotations in an active market. Changes in the fair value of these instruments are reflected in other comprehensive income and included as a component of shareholder's equity in the balance sheet. All financial liabilities must be measured at fair value when they are classified as held-for-trading; otherwise they are measured at cost or amortized cost.

- Financial Instruments – Disclosure and Presentation (Section 3861) establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. As required, prior periods have not been revised except to classify unrealized foreign currency transaction gains or losses related to foreign operations in accumulated other comprehensive income.

Adoption of these accounting standards is not expected to have a material effect on the Company's financial position and results of operations.

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.

The recognition of future tax assets would depend on management's assumption that future earnings will be sufficient to realize a future benefit. Management has determined that recognition of the income tax benefit of losses carried forward does not meet the test of "more likely than not" and, accordingly, has not recorded a future income tax benefit in this regard. The amount of the future tax liability recorded is based on management's best estimate of the timing of the realization of the net liability. If our interpretation of tax legislation differs from that of the tax authorities or if timing of tax balances is not as expected, the provision for income taxes could increase or decrease in future periods.

11. Risks and Uncertainties

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

Nature of Mineral Exploration and Development Projects

The business of diamond exploration involves a high degree of risk. Few properties that are explored are ultimately developed into mines. Sanatana's properties are in the exploration stage and at present none of the Company's properties have a known commercial diamond deposit. Proposed exploration programs are exploratory searches for such a deposit. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

The Company's operations are subject to all the hazards and risks normally associated with the exploration for diamonds, any of which could result in damage to life or property or the environment. The Company's operations may be subject to disruptions caused by unusual or unexpected formations, formation pressures, fires, power failures, flooding, explosions, cave-ins, landslides, the inability to obtain suitable or adequate equipment or machinery, labour disputes, or adverse weather conditions. Although the Company maintains insurance to cover normal business risks, the availability of insurance for many of the hazards and risks is extremely limited or uneconomical at this time. Through high standards and continuous improvement, Sanatana works to reduce these risks.

The Company's operations are also subject to the additional risks associated with the short exploration season in the Northwest Territories and Nunavut. With ice and snow cover in the remote Mackenzie diamond project area from October to June, the Company's exploration program is dependent upon sufficient logistical support, including camps and fuel caches, to allow productive exploration activities during the brief arctic summer. A breakdown in logistical support could severely curtail the Company's planned exploration program.

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

The profitability of the Company's operations will be dependent, inter alia, on the market price of diamonds. Diamond prices are affected by numerous factors beyond the control of the Company, including international economic and political conditions, levels of supply and demand, the policies of the Diamond Trading Company and international currency exchange rates.

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

Licenses and Permits, Laws and Regulations

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

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

Claim Titles and Aboriginal Rights

Aboriginal rights may be claimed on Crown properties or other types of tenure with respect to which mining rights have been conferred. Aboriginal land claim settlements are more advanced in the Northwest Territories than they are in most other areas of Canada. The Mackenzie diamond project area is located in the Gwich'in, Sahtu and Inuvialuit settlement regions. With the exception of the Gwich'in Comprehensive Land Claim Agreement, Sahtu Dene and Metis Comprehensive Land Claim Agreement and the Inuvialuit Final Agreement pertaining to certain areas in the Northwest Territories, the Company is not aware of any aboriginal land claims having been asserted or any legal actions relating to aboriginal issues having been instituted with respect to any of the land located within the Mackenzie diamond project area.

Conflicts of Interest

Certain of the Company's directors, officers and significant shareholders are or may become shareholders, directors and/or officers of other natural resource companies, and, to the extent that such other companies may participate in ventures with the Company, these individuals may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or of its terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which one or more directors or officers may have a conflict.

From time to time, the Company, together with several other companies, may be involved in a joint venture opportunity where several companies participate in the acquisition, exploration and development of natural resource properties, thereby permitting the Company to be involved in a greater number of larger projects with an associated reduction of financial exposure in any given project. The Company may also assign all or a portion of its interest in a particular project to any of these companies due to the financial position of the other company or companies.

In accordance with the laws of the province of British Columbia, the directors are required to act honestly and in good faith with a view to furthering the best interest of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed, and the financial position of the Company at that time.

12. Related Party Transactions

At March 31, 2008, the Company did not have any employees but had arrangements with a number of contractors to provide certain administrative, accounting, and management services. In addition, certain directors, officers and significant shareholders provide management and consulting services to the Company.

Transactions with related parties in the year ended March 31, 2008 were:

	MCSI Consulting Services Inc. $	Peter Miles $	Lithosphere Services Inc. $	St George Minerals Ltd. $	Total for the Period $
Consulting fees	-	-	-	45,971[3]	45,971
Rent	-	-	-	12,000	12,000
Management services	19,500[4]	127,914[1]	86,000[2]	-	233,414
	19,500	127,914	86,000	57,971	291,385

[1] Mr. Miles, a director and officer of the Company, provides financial and management services to the Company.
[2] Fees paid or accrued for technical services performed by a company controlled by a director and officer of the Company.
[3] Fees paid or accrued for financial and administrative services performed by a company controlled by a former director of the Company.
[4] MCSI Consulting Services Inc., a company in which an officer of the Company holds a 50% interest, provides the services of the Company's chief financial officer.
[5] In addition to the above, fees for directors of the Company totalled $61,914 for the period.

The Company pays its directors fees of £35,000 (approximately $70,000) per year.

13. Contractual Obligations and Commitments

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

	2008	2009	Total
Operating lease (office)	$ 37,200	$ 62,000	$ 99,200

Under the terms of the flow-through financing of $12,500,000 that completed in May 2006, Sanatana is restricted to using these proceeds only for qualifying exploration expenditures relating to Canadian properties. Sanatana has renounced $12,100,000 of tax benefits to subscribers of the May 2006 offering through to December 31, 2007, and at March 31, 2008, was committed to spending the remaining $400,000 on qualifying exploration expenditures by May 31, 2008, which it did.

Under the terms of the flow-through financing of $2,000,700 that completed in October 2007, Sanatana is restricted to using these proceeds only for qualifying exploration expenditures relating to Canadian properties. Sanatana has renounced $2,000,700 of tax benefits to subscribers of the October 2007 offering and at March 31, 2008 was committed to spending $809,330 on qualifying exploration expenditures by October 2008.

Under the terms of the flow-through financing of $4,329,925 that completed in February 2008, Sanatana is restricted to using these proceeds only for qualifying exploration expenditures relating to Canadian properties. Sanatana is committed to spending the full amount on qualifying exploration expenditures by February 2010.

A member of the Jaeger Joint Venture, from which the Company purchased an interest in the MacKenzie Diamond project, is entitled to a 2% net sales revenue royalty from this project.

14. Off-Balance Sheet Arrangements and Contingent Liabilities

Kennecott had deposited a letter of credit in the amount of $283,320 on the Company's behalf to fulfil bonding requirements for the 2008 exploration season.

15. Outstanding Share Information

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

- 62,753,873 common shares, including 6,211,518 escrowed common shares;
- 5,170,000 stock options; and
- 9,021,636 share purchase warrants.

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