Sanatana Resources Inc.
(formerly Sanatana Diamonds Inc.)
(An Exploration Stage Company)

Financial Statements
For the Years Ended March 31, 2011 and 2010

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Independent Auditor's Report

To the Shareholders of
Sanatana Resources Inc. (formerly Sanatana Diamonds Inc.)

We have audited the accompanying financial statements of Sanatana Resources Inc. (formerly Sanatana Diamonds Inc.), which comprise the balance sheets as at March 31, 2011 and 2010, and the statements of shareholders' equity, operations and comprehensive loss and cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sanatana Resources Inc. (formerly Sanatana Diamonds Inc.) as at March 31, 2011 and 2010, and its results of operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, BC

July 4, 2011

Sanatana Resources Inc.

(formerly Sanatana Diamonds Inc.)
(An Exploration Stage Company)
Balance Sheets

	Notes	March 31, 2011	March 31, 2010
Assets			
Current			
Cash and equivalents		$ 4,210,157	$ 2,801,892
Amounts receivable	4	38,290	28,081
Prepaid expenses		54,078	42,462
		4,302,525	2,872,435
Reimbursable bonds and deposits	5	277,447	446,975
Mineral properties	6	969,909	2,930,072
Property and equipment	7	127,136	204,902
		$ 5,677,017	$ 6,454,384
Liabilities			
Current			
Accounts payable	11	$ 24,876	$ 88,549
Accrued liabilities		166,032	152,000
		190,908	240,549
Future income tax liability	13	431,600	-
		622,508	240,549
Shareholders' Equity			
Common shares	8	33,060,097	30,306,804
Share purchase warrants	8, 9	51,008	-
Contributed surplus		3,285,660	2,783,660
Deficit accumulated in the exploration stage		(31,342,256)	(26,876,629)
		5,054,509	6,213,835
		$ 5,677,017	$ 6,454,384

Ability to continue as a going concern (note 2)

The accompanying notes are an integral part of these financial statements

Approved on behalf of the board of directors:

SIGNED "PETER MILES" — Peter Miles, Director

SIGNED "EDWARD MARLOW" — Edward Marlow, Director

Sanatana Resources Inc.

(formerly Sanatana Diamonds Inc.)
(An Exploration Stage Company)
Statement of Changes in Shareholders' Equity

	Notes	Number of Shares	Common Shares	Share Purchase Warrants	Contributed Surplus	Deficit Accumulated in the Exploration Stage	Shareholders' Equity
Balance - March 31, 2009		62,762,623	$ 30,306,804	$ 530,263	$ 2,031,397	$ (12,984,386)	$ 19,884,078
Broker warrants, expired unexercised		-	-	(530,263)	530,263	-	-
Stock-based compensation		-	-	-	222,000	-	222,000
Loss for the year		-	-	-	-	(13,892,243)	(13,892,243)
Balance - March 31, 2010		62,762,623	30,306,804	-	2,783,660	(26,876,629)	6,213,835
Private placement of flow-through units at $0.17	8	10,155,883	1,726,500	-	-	-	1,726,500
Share issuance costs	8	-	(110,481)	-	-	-	(110,481)
Fair value of broker warrants	8, 9	-	(39,238)	39,238	-	-	-
Private placement of units at $0.15	8	6,666,666	1,000,000	-	-	-	1,000,000
Share issuance costs	8	-	(80,118)	-	-	-	(80,118)
Fair value of broker warrants	8, 9		(11,770)	11,770	-	-	-
Share issuance for Augen JV option	6	2,000,000	700,000	-	-	-	700,000
Stock-based compensation	10	-	-	-	502,000	-	502,000
Tax value of assets renounced to flow-through share investors		-	(431,600)	-	-	-	(431,600)
Loss for the year		-	-	-	-	(4,465,627)	(4,465,627)
Balance - March 31, 2011		81,585,172	$ 33,060,097	$ 51,008	$ 3,285,660	$ (31,342,256)	$ 5,054,509

The accompanying notes are an integral part of these financial statements

Sanatana Resources Inc.

(formerly Sanatana Diamonds Inc.)
(An Exploration Stage Company)
Statements of Operations and Comprehensive Loss

For the years ended March 31,	Notes	2011	2010
Expenses			
Amortization	7	$ 60,387	$ 8,305
Consulting and advisory fees	11	26,550	-
Director fees	11	45,000	40,000
Equipment maintenance		37,995	-
Filing fees		15,954	16,393
Investor relations		10,433	8,578
Management fees and salaries	11	228,732	196,657
Office and administration		67,250	76,660
Professional fees		61,614	35,085
Property investigations		103,597	8,134
Rent		89,353	102,675
Stock-based compensation	10	502,000	222,000
Transfer agent fees		10,623	13,183
Travel and accommodation		48,762	38,306
Loss before undernoted		(1,308,250)	(765,976)
Write-down of bonds	5	-	(3,561)
Abandoned claim costs		(34,564)	-
Mineral property impairment	6	(3,129,898)	(15,867,370)
Interest income		7,085	4,063
Loss before income taxes		(4,465,627)	(16,632,844)
Future income tax recovery	13	-	2,740,601
Loss and comprehensive loss for the period		$ (4,465,627)	$ (13,892,243)
Loss per share - basic and diluted		$ (0.07)	$ (0.22)
Weighted average common shares outstanding - basic and diluted		66,714,409	62,762,623

The accompanying notes are an integral part of these financial statements

Sanatana Resources Inc.
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(An Exploration Stage Company)
Statements of Cash Flow

For the years ended March 31,	Notes	2011	2010
Cash provided by (used in):			
Operating activities			
Loss for the period		$ (4,465,627)	$ (13,892,243)
Adjustment for non-cash items:			
Amortization of property and equipment	7	60,387	8,305
Stock-based compensation	10	502,000	222,000
Mineral property impairment	6	3,129,898	15,867,370
Bond write-off		-	3,561
Future income tax recovery		-	(2,740,601)
Changes in non-cash working capital items:			
Amounts receivable		(10,209)	(28,081)
Prepaid expenses		(11,616)	21,309
Accounts payable		8,270	(5,277)
Accrued liabilities		14,032	(13,003)
		(772,865)	(556,660)
Investing activities:			
Mineral properties	6	(634,769)	(1,511,561)
Reimbursable bonds and deposits	5	169,528	(208,039)
Property and equipment	7	(795)	-
Kennecott contribution	6	111,265	172,309
		(354,771)	(1,547,291)
Financing activities:			
Issuance of common shares	8	2,726,500	-
Offering costs	8	(190,599)	-
		2,535,901	-
Decrease in cash and equivalents		1,408,265	(2,103,951)
Cash and equivalents, beginning of period		2,801,892	4,905,843
Cash and equivalents, end of period		$ 4,210,157	$ 2,801,892
Cash and equivalents comprise:			
Cash		$ 148,158	$ 86,767
Equivalents		4,061,999	2,715,125
		$ 4,210,157	$ 2,801,892

Supplementary cash flow information (note 15)

The accompanying notes are an integral part of these financial statements

1. Nature of Business

Sanatana Resources Inc. ("Sanatana" or the "Company") was incorporated as Sanatana Diamonds Inc. on June 25, 2004 under the British Columbia Business Corporations Act. The Company changed its name to Sanatana Resources Inc. on April 28, 2011. Sanatana is an exploration stage company, and its principal business activity is the acquisition, exploration and development of mineral properties. The Company has an option to acquire up to a 51% interest in certain Ontario gold exploration claims, diamond mineral property rights in the Northwest Territories and an option to acquire a gold exploration property in Yukon.

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

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

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

2. Basis of Presentation and Ability to Continue as a Going Concern

The accompanying financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. These financial statements do not reflect any adjustments to the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material. As at March 31, 2011 the Company has no source of operating cash flow and has an accumulated deficit of $31,342,256. Operations from inception through March 31, 2011 have been funded primarily from issuances of capital stock and from contributions received from a joint venture partner. The Company had cash and cash equivalents of $4,210,157 at March 31, 2011 which is more than sufficient to finance planned expenditures for the year ending March 31, 2012.

3. Significant Accounting Policies

The following outlines the significant accounting policies under which these financial statements have been prepared, and to which the Company adhered for the years ended March 31, 2011 and 2010.

a) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of expenditures during the reporting period. The Company regularly reviews these estimates and assumptions that affect the annual financial statements and actual results could differ from those estimates.

Significant areas where management judgement is applied include asset valuations, the recoverability of exploration and development expenditures on mineral properties, asset retirement obligations, stock based compensation, recoverability of future income tax assets, and contingent liabilities. In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented are reflected in these financial statements.

b) Mineral properties

Mineral property acquisition costs, holding costs, field exploration and field supervisory costs relating to specific properties for which the Company has mineral exploration and development rights are deferred until the property to which they relate is placed into production. At that time, accumulated costs will be amortized on a unit of production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge will be made. The Company charges to operations costs incurred to identify or evaluate properties before it has acquired exploration or development rights

Costs include the cash consideration paid and the fair value of the shares as they are issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in income for the year. Costs incurred for administration and general exploration that are not project specific are charged to operations.

3. Significant Accounting Policies (continued)

b) Mineral properties (continued)

The recorded amounts for acquisition costs of properties and their related capitalized exploration and development expenses represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalized costs on its properties on a periodic, or at least annual, basis and recognizes an impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property. Management's assessment of a property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review. The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds from disposition of such properties. During the year ended March 31, 2011, the Company evaluated its mineral properties and recorded an impairment of $3,129,898 (2010 - $15,867,370).

c) Property and equipment

Property and equipment is carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives at the following rates:

Computer equipment	straight-line basis over 3 years
Office furniture	straight-line basis over 5 years
Exploration equipment	straight-line basis over 5 years
Leasehold improvements	straight-line basis over 3 years

The Company reviews the carrying values on a regular basis and a provision is made against income in the period that an impairment is determined by management. No such write-downs were recognized during the years ended March 31, 2011 and 2010.

d) Cash and equivalents

Cash and equivalents include cash on deposit with banks and highly liquid short-term interest bearing investments with maturities of 90 days or less from the original date of acquisition.

e) Income taxes

Income taxes are calculated using the asset and liability method of accounting. Temporary differences arise from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet. These temporary differences are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

3. Significant Accounting Policies (continued)

e) Income taxes (continued)

The Company has issued flow-through shares to finance its exploration activities. Such shares were issued for cash in exchange for the Company transferring tax benefits arising from an equal dollar amount of exploration expenditures to the purchasers of the flow-through shares. To recognize the foregone tax benefits, the Company reduces the carrying value of the shares by the tax effect of the tax benefits renounced to the subscribers.

The Company follows the recommendations of Emerging Issues Committee (EIC) Abstract No 146, “Flow-Through Shares” (“EIC 146”) to account for flow-through share issuances. This abstract requires the recognition of a future income tax liability on the date that exploration expenditures are renounced to investors. This date may be different than the effective date of renunciation. Any offsetting future tax asset is recognized as a recovery of income tax expense.

f) Loss per common share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflects the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the year ended March 31, 2011, the Company has potentially dilutive common shares, relating to share purchase options and warrants totalling 10,944,018 (2010 – 5,220,000).

g) Asset retirement obligations

The Company follows the recommendations of CICA Handbook section 3110, “Asset Retirement Obligations” which require companies to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and normal use of the assets. The obligation will be measured initially at fair value using present value methodology and the resulting costs will be capitalized into the carrying amount of the related asset. In subsequent periods, the liability will be adjusted for any changes in the amount or timing of the underlying future cash flows. Capitalized asset retirement costs will be depreciated on the same basis as the related asset and the discounted accretion of the liability is included in determining the results of operations.

At March 31, 2011 the Company has only performed preliminary exploratory work on its mineral properties, and has not incurred significant retirement obligations. As such, a provision for the estimated cost of dismantling of the camp, which will occur within the next two years, has been recognized in the financial statements at March 31, 2011 and 2010.

3. Significant Accounting Policies (continued)

h) Share capital

Common shares issued for non-monetary consideration are recorded at their fair market value based on the trading price of the Company's shares on the TSX Venture Exchange (the "Exchange") on the earliest of (1) the date at which the counterparty's performance is complete; (2) the date at which a commitment for performance by the counterparty to earn the shares is reached; and (3) the date at which the shares are issued, if they are fully vested and non-forfeitable at that date.

i) Stock based compensation

The Company expenses, over the vesting period, the fair value of the options granted to directors and employees at the date of grant. The fair value of options granted to individuals or companies that are not employees or directors are valued at the earliest of the following: the date at which the counterparty's performance is complete, the date at which a performance commitment to earn the options is reached or the date at which the options are granted if they are fully vested and non-forfeitable at that date.

The Company's shareholders have approved a stock option plan which, as amended, allows Sanatana to 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 the purchase of common shares of the Company. Stock options are non-transferable. The board of directors of the Company determines the exercise price, but it may be no less than the current market price at the time of the grant. Options granted to March 31, 2011 have a maximum term of five years and terminate no longer than 90 days after the termination of employment or other contracting arrangement of the option holder. Vesting of options may be at the time of granting of the option, or over a period as set out in each option agreement. Once approved and vested, options are exercisable at any time until expiry. Subsequent to year end the Company's shareholders approved a new stock option plan (note 10).

j) Financial instruments

Financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other financial liabilities". Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net loss for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in comprehensive income (loss) until the asset is removed from the balance sheet. Held-to-maturity investments, loans, receivables and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period.

3. Significant Accounting Policies (continued)

j) Financial instruments (continued)

i. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments, except as disclosed in note 16. The fair values of these financial instruments approximate their carrying values due to the short-term or demand nature of these instruments. The carrying value of deposits approximates fair value primarily due to the floating rate nature of the instrument.

The Company classifies its financial instruments as follows:

Held for trading, measured at fair value	Cash and equivalents
Loans and accounts receivable, recorded at amortized cost	Amounts receivable
Financial liabilities, recorded at amortized cost	Accounts payable
	Accrued liabilities

k) Changes in accounting policy

Certain comparative figures have been reclassified to conform to the presentation used in the current period.

The Company plans to adopt accounting pronouncements as follows:

i. Section 1582, "Business Combinations". This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at acquisition date fair value. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. The Company will be required to adopt this standard prospectively for business combinations with acquisition dates on or after April 1, 2011, but may adopt the standard sooner. The Company has not completed any business combinations and so adoption of this standard will not have any impact on the Company's financial statements.

ii. On February 13, 2008, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS") by 2011. The Company's first year end under IFRS will be March 31, 2012. The Company has completed a detailed study and concluded that the following IFRS standards will have the most significant impact:

- IFRS 1 – First-time adoption of IFRS
- IFRS 2 – Share Based Payments
- IFRS 6 – Exploration and evaluation of mineral resources
- IAS 16 – Property, plant and equipment
- IAS 36 – Impairment of Assets

In addition, while IFRS does not prescribe how to account for flow-through shares, common practice differs from Canadian GAAP and an adjustment to shareholders' equity will be required on the first-time adoption of IFRS.

4. Amounts Receivable

	March 31, 2011	March 31, 2010
GST receivable	$ 17,557	$ 6,814
Trade receivables	11,905	-
Due from employees (note 11)	8,828	21,267
	$ 38,290	$ 28,081

5. Reimbursable Bonds and Deposits

The reimbursable bond consists of amounts held on deposit by the Northwest Territories government to ensure that the required minimum levels of exploration and reporting are met. Exploration activity must be conducted on the property in the amount of the deposit during the period to which the deposit relates in order for the deposit to qualify for refund.

Balance, March 31, 2009	$ 242,497
Net bond deposits	208,039
Written off	(3,561)
Balance March 31, 2010	446,975
Net bond redemptions	(169,528)
Balance March 31, 2011	$ 277,447

6. Mineral Properties

	Balance March 31, 2009	Change	Balance March 31, 2010	Change	Balance March 31, 2011
Watershed property					
Accumulated costs	$ -	$ -	$ -	$ 901,562	$ 901,562
Net	-	-	-	901,562	901,562
Mackenzie Diamond Project					
Accumulated costs	36,158,741	1,374,286	37,533,027	132,277	37,665,304
Impairment	(11,000,000)	(15,700,000)	(26,700,000)	(2,882,737)	(29,582,737)
Contribution payments	(7,730,646)	(172,309)	(7,902,955)	(111,265)	(8,014,220)
Net	17,428,095	(14,498,023)	2,930,072	(2,861,725)	68,347
Piche Lake property					
Accumulated costs	-	167,370	167,370	-	-
Impairment	-	(167,370)	(167,370)	-	-
Net	-	-	-	-	-
Boulder Claims					
Accumulated costs	-	-	-	247,161	247,161
Impairment	-	-	-	(247,161)	(247,161)
Net	-	-	-	-	-
	$ 17,428,095	$ (14,498,023)	$ 2,930,072	$ (1,960,163)	$ 969,909
Total impairment		$ (15,867,370)		$ (3,129,898)	

Watershed property

	Balance March 31, 2009	Change	Balance March 31, 2010	Change	Balance March 31, 2011
Acquisition costs	$ -	$ -	$ -	$ 850,000	$ 850,000
Contractor and consultant	-	-	-	22,562	22,562
Project management fees	-	-	-	27,000	27,000
Field and camp	-	-	-	2,000	2,000
Watershed property, net	$ -	$ -	$ -	$ 901,562	$ 901,562

In February 2011, the Company signed a definitive agreement with Augen Gold Corp. ("Augen") granting the Company an option to acquire up to a 51% undivided interest in the rights to 46 mineral concessions (the "Claims") and the first right of refusal to acquire an additional nine mineral concessions (the "ROFR Claims"), all located in Ontario and owned by Augen.

6. Mineral Properties (Continued)

Pursuant to the terms of the definitive agreement, the Company has an option to earn a 50% undivided interest in the Claims (the “50% Interest”) by completing the following:

	Exploration Expenditures	Shares		Cash Payments	
Within 10 days of Exchange acceptance	$ -	2,000,000	(issued)	$ 150,000	(paid)
by March 23, 2012	1,000,000	1,500,000		-	
by March 23, 2013	1,500,000	1,500,000		-	
by March 23, 2014	2,500,000	-		-	
	$ 5,000,000	5,000,000		$ 150,000	

If the Company earns the 50% Interest, the parties will enter into a joint venture agreement with respect to the Claims and the Company will have the right to earn a further 1% interest (for a total interest of 51%) in the Claims by completing and delivering to Augen a pre-feasibility study by March 23, 2016.

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

Mackenzie Diamond Project

	Balance March 31, 2009	Change	Balance March 31, 2010	Change	Balance March 31, 2011
Acquisition costs	$ 426,076	$ -	$ 426,076	$ -	$ 426,076
Helicopter and fixed wing aircraft costs	15,443,968	480,051	15,924,019	7,524	15,931,543
Sampling and assays	4,246,746	116,278	4,363,024	21,238	4,384,262
Contractor and consultant	9,100,004	345,108	9,445,112	1,758	9,446,870
Project management fees	832,965	135,500	968,465	27,821	996,286
Field and camp	1,985,846	46,350	2,032,196	11,721	2,043,917
Transport and accomodation	2,772,866	141,213	2,914,079	7,404	2,921,483
Expediting	514,512	-	514,512	-	514,512
Reclamation provision	120,000	-	120,000	-	120,000
Permitting and other	715,758	109,786	825,544	54,811	880,355
Total costs incurred	36,158,741	1,374,286	37,533,027	132,277	37,665,304
Mineral property impairment	(11,000,000)	(15,700,000)	(26,700,000)	(2,882,737)	(29,582,737)
Options and contribution payments - Rio Tinto	(7,730,646)	(172,309)	(7,902,955)	(111,265)	(8,014,220)
Mackenzie property, net	$ 17,428,095	$ (14,498,023)	$ 2,930,072	$ (2,861,725)	$ 68,347

6. Mineral Properties (Continued)

On July 31, 2004, and March 4, 2005, the Company entered into a series of agreements with the Jaeger Joint Venture (“Jaeger”), an entity partially owned by a director of the Company, to purchase the rights to any diamonds located on a series of properties (the “MacKenzie Diamond Project”) in the Inuvialuit, Gwich’in and Sahtu mining districts in the Northwest Territories, Canada. In June 2005, the Company acquired from Jaeger all other mineral rights, excluding uranium rights, to the prospecting permits to which it already owned diamond rights. Jaeger retains a 10% production carried interest and a member of Jaeger retains a 2% net smelter returns royalty (“NSR”). In addition, in terms of the agreements, the Company has agreed to pay 100% of the exploration and mine construction costs.

The Company has a joint venture agreement with diamond producer Rio Tinto Exploration Canada Inc. (“Rio Tinto”, formerly Kennecott Canada Exploration Inc.), a subsidiary of the Rio Tinto Group. Pursuant to the joint venture, the Company acts as the operator and Rio Tinto has a 15% interest in the Company’s Mackenzie diamond project, which can be increased to a maximum of 60% based on certain milestones. Rio Tinto elected not to participate in the Company’s summer 2010 exploration program resulting in its interest being diluted, although the amount of dilution to date has not been material.

At March 31, 2011 the Company held 1.1 million acres (2010 - 1.8 million acres) of permits and unpatented mining claims.

During the year ended March 31, 2011, the Company evaluated the MacKenzie property and recorded an impairment of $2,882,737 (2010 - $15,700,000). This impairment reflects lack of discovery success, a weak market for junior diamond exploration properties and consequently a weaker outlook for the Mackenzie Diamond Project.

Piche Lake Project

	Balance March 31, 2009	Change	Balance March 31, 2010	Change	Balance March 31, 2011
Acquisition costs	-	52,565	52,565	-	-
Contractor and consultant	-	64,220	64,220	-	-
Project management fees	-	39,500	39,500	-	-
Field and camp	-	2,387	2,387	-	-
Transport and accomodation	-	8,036	8,036	-	-
Permitting and other	-	662	662	-	-
Total costs incurred	-	167,370	167,370	-	-
Mineral property impairment	-	(167,370)	(167,370)	-	-
Piche Lake property, net	-	-	-	-	-

On October 5, 2009, the Company entered into an option agreement with Marmac Mines Ltd. (“Marmac”) to acquire a 50% interest in four mineral concessions located in the Piche Lake area of Alberta. The Company undertook a preliminary exploration program but has decided not to continue with exploration of this property and as such has written off all expenditures incurred.

6. Mineral Properties (Continued)

Boulder Claim Group

	Balance March 31, 2009	Change	Balance March 31, 2010	Change	Balance March 31, 2011
Acquisition costs	-	-	-	38,640	38,640
Helicopter and fixed wing aircraft costs	-	-	-	14,074	14,074
Sampling and assays	-	-	-	10,168	10,168
Contractor and consultant	-	-	-	83,153	83,153
Permitting and other	-	-	-	1,541	1,541
Project management fees	-	-	-	45,125	45,125
Field and camp	-	-	-	4,300	4,300
Transport and accomodation	-	-	-	50,160	50,160
Total costs incurred				247,161	247,161
Mineral property impairment	-	-	-	(247,161)	(247,161)
Boulder claims, net	-	-	-	-	-

In June 2010, the Company entered into a non-binding letter of intent to form a joint venture to explore for bedrock gold mineralization on the Boulder Claim Group. As consideration, Sanatana paid $38,640 to maintain the Boulder Claim Group in good standing until June 2011.

The Company undertook an assessment of its mineral properties during the year ended March 31, 2011 and, due to a lack of exploration success, recorded an impairment of $247,161 against the Boulder Claims property.

7. Property and Equipment

	Office Furniture	Computer Equipment	Leasehold Improvements	Exploration Equipment	Total
Cost					
At March 31, 2010 and 2009	$ 34,703	$ 25,663	$ 41,357	$ 363,497	$ 465,220
Additions	-	795	-	-	795
At March 31, 2011	34,703	26,458	41,357	363,497	466,015
Accumulated Amortization					
At March 31, 2009	18,392	24,060	41,357	95,508	179,317
Charge for the year	6,936	1,369	-	72,696	81,001
At March 31, 2010	25,328	25,429	41,357	168,204	260,318
Charge for the year	6,665	498	-	71,398	78,561
At March 31, 2011	31,993	25,927	41,357	239,602	338,879
Net book value					
At March 31, 2009	16,311	1,603	-	267,989	285,903
At March 31, 2010	9,375	234	-	195,293	204,902
At March 31, 2011	$ 2,710	$ 531	$ -	$ 123,895	$ 127,136

The amortization change for the period comprises $60,387 expensed to operations (2010 - $8,305) and $18,174 capitalized to mineral properties (2010 - $72,696).

8. Common Shares

a) Authorized share capital

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

b) Issued share capital

At March 31, 2011 there were 81,585,172 common shares issued and outstanding (March 31, 2010 - 62,762,623 common shares).

8. Common Shares (Continued)

c) Private placements

In January 2011, the Company closed a non-brokered private placement consisting of 6,666,666 units at a price of $0.15 per unit for gross proceeds of $1,000,000. Each unit consists of one common share and one half of a share purchase warrant where each whole warrant entitles the holder to purchase one share of the Company for a price of $0.25 until January 14, 2012. In connection with this private placement, the Company paid $47,160 and issued 163,333 broker warrants in finders' fees and incurred other cash offering costs of $32,958. Each broker warrant is exercisable for one common share at a price of $0.25 for a period of 12 months. The fair value of the broker warrants was calculated at $11,770 using the Black-Scholes pricing model and using a volatility rate of 129%, a risk free rate of 1.67% and an annual rate of quarterly dividends of 0.0%.

In December 2010, the Company completed a non-brokered private placement consisting of 10,155,883 flow-through shares at a price of $0.17 per share for gross proceeds of $1,726,500. In connection with this private placement the Company paid $26,553 and issued 537,352 broker warrants in finders' fees and incurred other cash offering costs of $83,928. Each broker warrant is exercisable for one non flow-through share at a price of $0.25 for a period of 12 months. The fair value of the broker warrants was calculated at $39,238 using the Black-Scholes pricing model and using a volatility rate of 121%, a risk free rate of 1.75% and an annual rate of quarterly dividends of 0.0%.

9. Share Purchase Warrants

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

	March 31, 2011		March 31, 2010	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of year	-	$ -	9,657,769	$0.61
Granted	4,034,018	0.25	-	-
Expired	-	-	(9,657,769)	0.61
Balance, end of year	4,034,018	$0.25	-	$ -

Summary of outstanding warrants is as follows:

Expiry Date	Exercise Price	Financing Warrants	Broker Warrants
December 30, 2011	$ 0.25	-	537,352
January 14, 2012	$ 0.25	3,333,333	163,333
		3,333,333	700,685

Subsequent to year end, warrant holders exercised 14,500 financing warrants and 115,294 broker warrants for proceeds of $32,449.

10. Options

The Company has a "rolling" stock option plan that allows the Company's board of directors to issue options to purchase up 10% of the common shares outstanding at the grant date. Directors, officers, consultants and employees of the Company are eligible to receive stock options, subject to the policies of the Exchange. The directors may set option terms, but options granted under the plan typically have a life of five years and vest over an 18-month period. Stock option compensation expense is amortized over the vesting period. The Company's shareholders confirmed the option plan in September 2010.

In April 2011, the Company's shareholders approved a new option plan with substantially the same terms as the existing plan, although new options may be granted for a term of up to ten years.

The Company incurred stock-based compensation for the year ended March 31, 2011 $502,000 (2010 - $222,000). The weighted average grant date fair value of options issued was $0.21.

For the year ended March 31,	2011		2010	
	Number Of Options	Weighted Average Exercise Price	Number Of Options	Weighted Average Exercise Price
Balance, beginning of year	5,220,000	$1.16	5,220,000	$1.16
Granted	4,350,000	0.30	-	-
Exercised	-	-	-	-
Expired or cancelled	(2,660,000)	1.30		
Balance, end of year	6,910,000	$0.56	5,220,000	$1.16

In February 2011, the Company granted directors, an officer and an employee options to acquire 1,900,000 common shares at $0.30 per share. These individuals subsequently cancelled options previously issued to these individuals to acquire 1,900,000 common shares at between $1.00 and $1.40 per share and accordingly the option issuance and cancellation has been treated as a modification of an existing award. The incremental value of the options granted was $361,000.

Summary of outstanding options at March 31, 2011:

	Outstanding and Exercisable Options			Exercisable Options	
Exercise Price Range	Number	Weighted Average Exercise Price	Weighted Average Remaining Life	Number	Weighted Average Exercise Price
$0.30	4,350,000	$0.30	4.89 years	1,087,500	$0.30
$0.75	1,460,000	0.75	1.43 years	1,460,000	0.75
$1.35-$1.40	1,100,000	1.35	1.97 years	1,100,000	1.35
	6,910,000	$0.56	3.69 years	3,647,500	$0.80

10. Options (Continued)

The Company valued options using the Black-Scholes options pricing model with the following assumptions:

For the years ended March 31,	2011	2010
Expected dividend yield	0%	0%
Expected volatility	137.0%	86.9%
Risk-free interest rate	2.4%	2.8%
Expected life	5 years	5 years

11. Related Party Transactions

At March 31, 2011, the Company had three employees and had arrangements with contractors to provide administrative, accounting and certain management services. Certain directors and significant shareholders provided management and consulting services to the Company.

Related party transactions in the periods presented were:

March 31, 2011	Director Fees	Management Fees and Salaries	Capitalized Technical Services Fees (note 6)	Exploration Expense Contribution (note 6)
Edward Marlow	$ 20,000	$ -	$ -	$ -
Harley Hotchkiss	10,000	-	-	-
Nick Archibald	10,000	-	-	-
Peter Miles (a)	2,500	82,500	-	-
Lithosphere Services Inc. (b)	2,500	21,000	14,000	-
S2 Management Inc. (c)	-	14,030	-	-
Rio Tinto (d)	-	-	-	111,265
	$ 45,000	$ 117,530	$ 14,000	$ 111,265

11. Related Party Transactions (Continued)

March 31, 2010	Director Fees	Management Fees and Salaries	Capitalized Technical Services Fees (note 6)	Exploration Expense Contribution (note 6)
Edward Marlow	$ 20,000	$ -	$ -	$ -
Harley Hotchkiss	10,000	-	-	-
Nick Archibald	10,000	-	-	-
Peter Miles (a)	-	66,000	-	-
Lithosphere Services Inc. (b)	-	-	25,000	-
S2 Management Inc. (c)	-	13,840	-	-
Rio Tinto (d)	-	-	-	172,309
	$ 40,000	$ 79,840	$ 25,000	$ 172,309

a) Mr. Miles is the Company's President and CEO, and a director.
b) Lithosphere Servies Inc. is controlled by Mr. Doyle the Company's VP Exploration and a director
c) S2 Management Inc. is controlled by the Company's CFO
d) Rio Tinto is a shareholder of the Company (note 6).

During fiscal 2010, Canada Revenue Agency ("CRA") concluded that certain contractors of the Company were actually employees and required that the Company make payroll remittances in respect of those individuals. The individuals expect to receive a refund of $21,267 from CRA and have agreed to return these funds to the Company, when received (note 4) of which $8,828 is still outstanding.

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

As at March 31,	2011	2010
Directors and insiders	$ 18,836	$ 10,085
Lithosphere Services Inc.	4,444	-
S2 Management Inc.	430	-

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

12. Commitments

a) Under the terms of an agreement dated November 25, 2004 with Kiska Metals Corporation, formerly Geoinformatics Explorations Inc. ("Kiska"), a company in which one of the Company's directors was formerly chief executive officer, Kiska is entitled to a 0.9% gross overriding royalty in respect of the Mackenzie Diamond project.

b) A member of Jaeger Joint Venture, from which the Company purchased an interest in the Mackenzie Diamond Project, is entitled to a 2% net smelter return from that project.

12. Commitments (Continued)

c) The Company is contractually committed under a lease agreement to make payments as follows:

Year ending March 31,	
2012	$ 78,980

d) At March 31, 2011, under the conditions of a flow-through financing (note 8) and related income tax law, the Company was committed to spending $1,675,000 on eligible exploration expenditures before December 31, 2012.

13. Income and Resource Taxes

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial tax rates to the loss before tax provisions due to the following:

For the years ended March 31,	2011	2010
Loss for the year before taxes	$ (4,465,627)	$ (16,632,844)
Expected income tax recovery	$ (1,250,000)	$ (4,928,300)
Assets valued differently for tax purposes	-	-
Non-deductible expenses	142,000	67,900
Effect of reduction in tax rates	118,000	742,299
Financing costs	(48,000)	-
Adjustment for over provision in previous years	-	(222,500)
Increase in valuation allowance	1,038,000	1,600,000
Actual tax expense (recovery)	$ -	$ (2,740,601)

The significant components of the Company's future tax liability are as follows:

For the years ended March 31,	2011	2010
Non-capital loss carry forwards	$ 2,052,000	$ 1,759,000
Property and equipment	84,000	65,000
Financing costs	102,000	191,000
Asset retirement obligation	30,000	30,000
Mineral properties	2,341,000	1,526,000
Future income tax assets	4,609,000	3,571,000
Valuation allowance	(4,609,000)	(3,571,000)
Renunciation of exploration expense	(432,000)	-
Future income tax liability	$ (432,000)	$ -

The Company's future tax assets include $102,000 (2010 - $191,000) related to deductions for share issue costs in excess of amounts deducted for financial reporting purposes. If and when the valuation allowance related to these amounts is reversed, the Company will recognize this benefit as an adjustment to share capital as opposed to income tax expenses in the statement of operations.

13. Income and Resource Taxes (Continued)

The realization of benefits relating to the operating losses carried forward is uncertain and cannot be viewed as more likely than not. Accordingly no future income tax asset has been recognized for accounting purposes.

The Company has Canadian non-capital losses carried forward to $8,207,000 (2010 - $7,038,000) which expire in various amounts from 2015 to 2031.

During the year ended March 31, 2011, the Company renounced proceeds of flow-through share issuances of $1,726,500, resulting in a future income tax liability of $432,000.

14. Capital Management

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

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

15. Supplementary Cash Flow Information

For the years ended March 31,	2011	2010
Interest and taxes paid	$ -	$ -
Non-cash investing activities:		
Amortization in mineral properties	18,174	72,696
Change in accounts payable regarding mineral properties	71,943	42,601
Shares issued for mineral property interests	700,000	-
Non-cash financing activities:		
Tax value of assets renounced to flow-through share investors	431,600	-
Fair value of broker warrants	51,008	-

16. Financial Risk Management

Interest Rate Risk
The Company’s interest rate risk mainly arises from changes in the interest rates on cash and equivalents. Cash and equivalents generate interest based on market interest rates. At March 31, 2011, the Company was not subject to significant interest rate risk.

16. Financial Risk Management (Continued)

Credit Risk
Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk arises primarily with respect to money market investments.

The Company manages its credit risk by investing only in obligations of any province of Canada, Canada or their respective agencies; banker's acceptances purchased in the secondary market and having received the highest credit rating from a recognized rating agency in Canada, with a term of less than 180 days; and bank term deposits and bearer deposit notes, with a term of less than 180 days.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and equivalents and amounts receivable.

Liquidity Risk
The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. If necessary, the Company may raise funds through the issuance of debt, equity or monetization of non-core assets. The Company ensures that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and match the maturity profile of financial assets to development, capital and operating needs.

The following table presents the financial instruments recorded at fair value in the balance sheet, classified using the fair value hierarchy:

	Level 1	Level 2	Level 3	Total financial assets at fair value
Financial assets				
Cash and cash equivalents	$ 4,210,157	$ -	$ -	$ 4,210,157
Total financial assets	$ 4,210,157	$ -	$ -	$ 4,210,157