SANATANA
RESOURCES Inc.

SANATANA RESOURCES INC.

Formerly Sanatana Diamonds Inc.

Management's Discussion and Analysis

March 31, 2011

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

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

Introduction

This MD&A has been prepared as of July 5, 2011 and should be read in conjunction with the Company's audited annual financial statements and related notes for the year ended March 31, 2011. This MD&A is intended to provide the reader with a review of the Company's performance for the year ended March 31, 2011 and 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. All financial amounts in this MD&A are in Canadian dollars, except as otherwise indicated.

Incorporation and Listing Information

Sanatana was incorporated as Sanatana Diamonds Inc. under the British Columbia *Business Companies Act* on June 25, 2004. In November 2005, the Company became a reporting issuer in every province and territory of Canada, except Quebec. The Company's common shares commenced trading on the Exchange in May 2006 as a mining exploration and development company under the symbol "STA". On April 28, 2011, the Company changed its name to Sanatana Resources Inc. to better reflect the broader nature of its mineral exploration activities.

Operating Report

The Company is an exploration stage company and is focused on the acquisition, exploration and development of mineral properties. The Company has an option to acquire the Watershed gold exploration claims in Ontario, an option to acquire the Boulder Claims gold exploration property in Yukon and the Mackenzie diamond mineral property rights in the Northwest Territories.

During the fourth quarter of fiscal 2011, the Company focused on its Watershed property. Although the Company is considering further work on the Boulder Claims, it did not undertake any activity in the fourth quarter. Given current market conditions for diamond exploration, the Company's exploration results at the Mackenzie property do not warrant further work at this time. See "Mineral Properties" below.

Sanatana's exploration programs are carried out under the supervision of the Company's vice president of exploration, Mr. Buddy Doyle, and exploration manager, Mr. Troy Gill. Mr. Doyle and Mr. Gill who meet the qualified person requirements of National Instrument 43-101. They are responsible for the geoscientific and technical disclosure contained in this document.

Corporate Developments

- In June 2011, the Company began exploration work on its Watershed property.
- In April 2011, the Company changed its name to Sanatana Resources Inc.

- In February 2011, the Company entered into a definitive agreement with Augen Gold Corp. ("Augen") to acquire up to 51% of an undivided interest in the rights to 46 mineral concessions known as the Watershed gold property, located in Ontario. See "Watershed Option" below.

- In January 2011, the Company completed a private placement and issued 6,666,666 common shares for gross proceeds of $1,000,000. See "Share Capital" below.

- In December 2010 the Company completed a private placement and issued 10,155,883 flow-through shares for gross proceeds of $1,726,500. See "Share Capital" below.

Watershed Option

In February 2011, the Company entered into a definitive option agreement with Augen to acquire up to a 51% undivided interest in the rights to 46 mineral concessions (the "Claims") and the right of first refusal to acquire an additional nine mineral concessions (the "ROFR Claims"). The mineral concessions, which are collectively referred to as the Watershed gold property, are all located in Ontario and owned by Augen which is at arm's length to the Company. In March 2011, the Exchange approved the option and joint venture agreement with Augen and the Company fulfilled the initial terms of the agreement by paying $150,000 and issuing 2,000,000 common shares to Augen.

The Company may earn a 50% undivided interest in the Claims (the 50% Interest) by completing the following:

Date	Cash Payment	Common Shares	Cumulative Expenditures
Effective Date	$150,000 [1]	2,000,000 [1]	- [2]
By March 23, 2012	-	1,500,000	$1,000,000
By March 23, 2013	-	1,500,000	$2,500,000
By March 23, 2014	-	-	$5,000,000
	$150,000	5,000,000	

[1] Paid / issued
[2] Cumulative expenditures to March 31, 2011 were $51,562

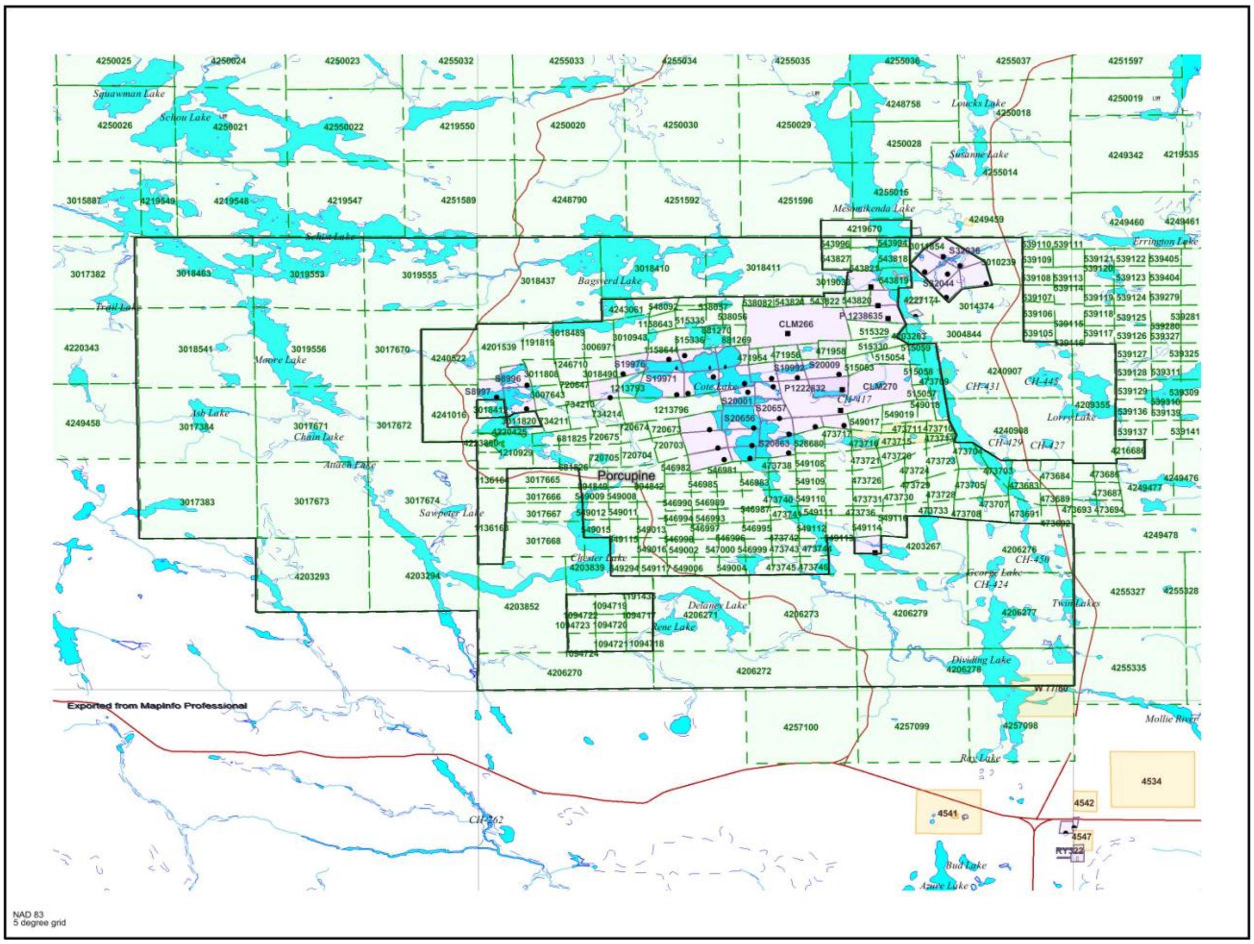
If the Company earns the 50% Interest, the parties will enter into a joint venture agreement with respect to the Claims and the Company will have the right to earn a further 1% interest (for a total interest of 51%) in the Claims by completing and delivering to Augen a pre-feasibility study by March 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 any equity offerings by the Company on the same terms and conditions of such offering. Augen participated in the January 2011 private placement (see "Share Capital" below).

Mineral Properties

Watershed Property

The Watershed gold property consists of 46 mining claims covering 7,840 hectares and a right of first refusal to acquire an additional nine mineral concessions. The Watershed gold property is north of Sudbury, Ontario, and comprises the Schist Lake area located in the Yeo township and the Chester area located in the Chester township. The Company believes that this area is prospective based on its review of the local geology; other companies have found evidence of gold mineralization in the area.



The geology of the Watershed property is typical of the Swayze Greenstone Belt comprising a structurally complex mafic to felsic metavolcano-sedimentary supracrustal rocks intruded in places by granodiorite to diorite rocks of the Chester Granitoid Complex. There are ten historical high-grade gold mineralized showings highlighting the gold bearing tenor of the property. Access to the property is via highway from Sudbury, Ontario. A network of dirt roads crosses the property. The infrastructure in the area of the Watershed property, including access to power, water, accommodation and other services, is excellent.

A significant amount of historic exploration was completed on the Watershed property including grab sampling, geophysical surveys, and diamond drilling. The geophysical surveys delineated several anomalies, the diamond drilling intersected zones of moderate mineralization and the grab sampling returned gold assays of up to 270 g/t Au.

In 2007, Augen completed an airborne magnetic and EM survey on its South Swayze property, which at the time included the Company's current Watershed property. The information was used to produce maps that display magnetic, conductive and radiometric properties of the survey. The EM anomalies fall into four general categories. The first type consists of discrete, well-defined anomalies, which are usually attributed to conductive sulphides or graphite, but could also represent near vertical faults or shears. The second type consists of moderately broad responses that are flat dipping and may represent conductive rock units, zones of deep weathering or alteration zones. The third type of anomaly includes anomalies associated with magnetite. The fourth type of anomaly represents cultural anomalies. The EM survey identified more than 500 weak to strong bedrock conductors over the survey area.

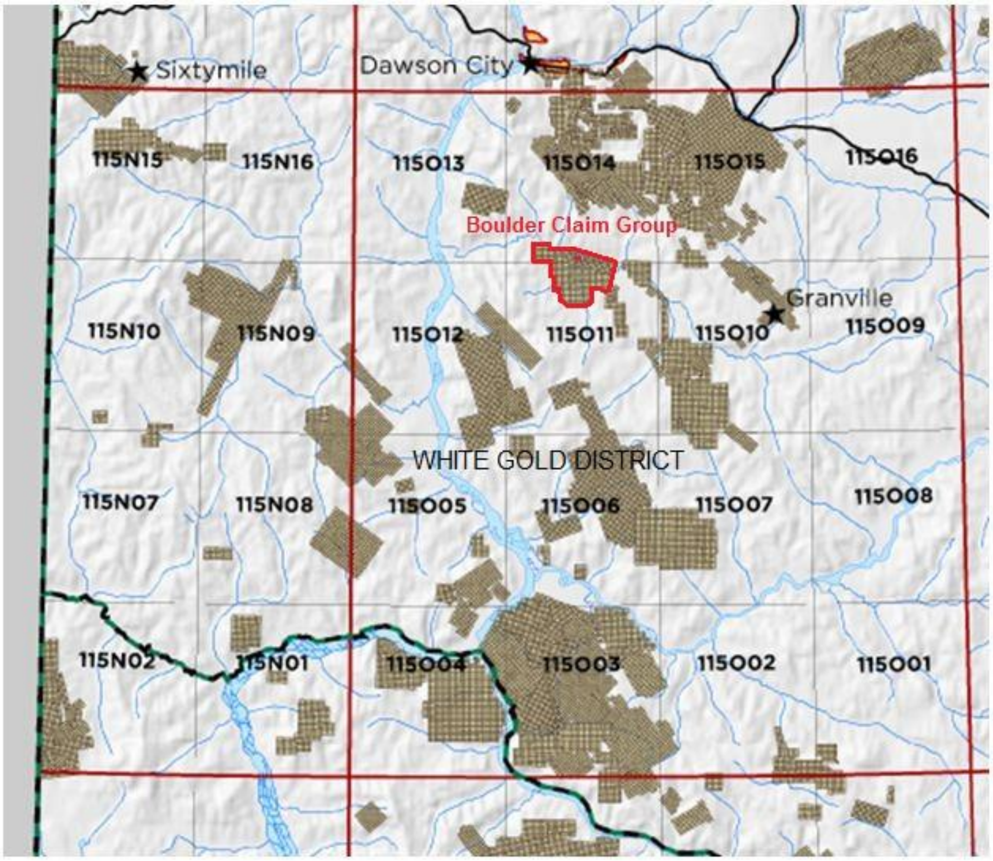
In 2009, Augen completed diamond drilling on the Chester Gold area and Schist Lake area. Drilling failed to identify significant gold mineralization underlying the historic gold occurrences in both the Chester Gold area and Schist Lake area.

The Company has completed an airborne electromagnetic (EM) survey and the final report and data were received at the end of June 2011. Geotech Ltd. flew its proprietary ZTEM system covering the entire Watershed property at 200-metre line spacing for a total of 1,000 line kilometres. ZTEM is a passive EM system that measures naturally induced variations in the vertical field in the audio frequency range. This system has the advantage over other EM methods in highlighting deep structural zones in poorly conductive rocks without being affected by highly conductive surficial materials (e.g. lake bottom sediments). The data was processed and modelled by Geotech Ltd., but the Company has had very little time to review the outcomes of the survey. The data will assist in target area selection all over the property.

The Company has initiated an induced polarization (IP) survey on key sections of the Watershed property in an attempt to locate extensions of the Cote Lake mineralization trend. Caracle Creek International Consulting Inc. will undertake the IP survey using the EarthProbe method. Cut lines are oriented north-south varying from one to four kilometres for a total of approximately 25 line kilometres. It is expected that inversion modelling of the IP data will provide immediate drill targets for a diamond-drilling program scheduled to commence in August 2011.

In addition, the Company has commenced detailed geological mapping, prospecting and systematic geochemical sampling over the entire property area. Initially this work is focused around the IP survey areas to provide geological control for the geophysics. New areas of interest brought to light by this work will become the focus of future drill programs.

Boulder Claim Group



The Company completed a reconnaissance field mapping and prospecting program at the Boulder Claim Group, located in the White Gold District, Yukon, during August 2010. The program involved fact mapping of bedrock outcrops and surface cover along existing roads and trails across the property as well as visiting selected locations on the surrounding hills by helicopter and collecting representative samples of the rocks. The Company also collected samples of placer material and sluice concentrates to gain some background data on gold affinity and distribution across the property. Fifty-three samples were submitted for ICP multi-element analysis and other processing including mineral observation and microprobe geochemical analysis.

Based on the geological map and rock sample results of the first reconnaissance program, the Company undertook a second bedrock mapping and sampling field program in September 2010. In ten days of field work the mapping was extended to all areas of the property by traversing creeks and ridgelines. The Company collected 66 bedrock samples that it had analyzed for gold and trace elements by fire assay and ICP methods.

Although the Company sampled quartz veining and visually altered looking country rocks, no significant precious or base metal results were returned. The highest bedrock gold value was 0.26 g/t. Placer gold analysis by microprobe showed two groups of nuggets with distinctly different fineness values: one had high fineness and the other significantly less. The higher fineness gold is finer grained and flattened and interpreted to be transported over a greater distance. The morphology of the lower fineness placer gold implied a more proximal source.

This was the most important finding of the reconnaissance fieldwork as it provided the Company with some confidence that there might be a bedrock gold source within the placer catchment area on the property. Unfortunately, the exploration program did not identify the location of a bedrock gold source, if it exists. The expenditure value for this package of work has now been filed for assessment against the Boulder Claim Group and if fully accepted will ensure the claim group remains in good standing for the next five years. The Company may return to this property if new information comes to light and any further work can be coordinated with another of the Company's exploration programs.

Mackenzie Project

The Company's principal project from inception to 2010 was the Mackenzie project in the Northwest Territories, where the Company holds 136,233 hectares under mineral claims in areas indicating anomalous till samples. The Company identified several geochemical diamond indicator anomalies that have been systematically explored. While the Company found two diamondiferous kimberlites, the deposits were not large enough to be commercially viable.

The Company has a joint venture agreement with diamond producer Rio Tinto Exploration Canada Inc. ("Rio Tinto", 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.

Since the Company has not been able to raise funds for diamond exploration without incurring undue share capital dilution, and given the lack of exploration success combined with Rio Tinto's decision to dilute its interest, the Company suspended exploration at the Mackenzie project.

The Company's land holdings are subject to exploration results expenditures and Canada's Mining Regulations. The Company initially held a large area of ground in the form of prospecting permits and, based on exploration results, the Company focused on the most prospective areas and now holds mineral claims covering 136,233 hectares. Many of these claims have had sufficient exploration expenditure to see them kept in good standing until the end of the ten-year term. At or before that time the Company has the option of converting all or part of those claims mining leases. Other claims will require further expenditure in the coming years to keep them active. An annual expenditure of $2 per acre is required to keep mineral claims in good standing under Canada's Mining Regulations. Over time, the Company will either have to (1) undertake further exploration work; (2) pay fees under Canada's Mining Regulations; or (3) forgo mineral claims. Since suspending exploration, when the Company's tenure on a specific area has expired, the Company has opted to forgo its mineral claims rather than spend money to extend its rights.

Exploration Budget

The Company has budgeted expenditures of $1,700,000 for the summer 2011 exploration program on the Watershed property. The Company does not plan to undertake any exploration work this year on the Boulder Claims or Mackenzie property.

Financial

Exploration Expenditures

Mineral exploration costs formed the bulk of the Company's expenditures in the period. These costs, net of impairment provisions and reimbursements, are set out in the following table:

Year Ended	March 31, 2011 $	March 31, 2010 $	March 31, 2009 $
Watershed property			
Acquisition costs	850,000	-	-
Contractor and consultant	22,562	-	-
Project management fees	27,000	-	-
Field and camp	2,000	-	-
Increase in carrying value	901,562	-	-
Mackenzie property			
Helicopter and fixed wing aircraft	7,524	480,051	3,375,608
Sampling and assays	21,238	116,278	322,116
Contractor and consulting	1,758	345,108	2,097,480
Project management fees	27,821	135,500	170,968
Field and camp	11,721	46,350	493,793
Transport and accommodation	7,404	141,213	469,619
Expediting	-	-	5,848
Permitting and other	54,811	109,786	293,107
Total exploration costs for the period	132,277	1,374,286	7,228,539
Mineral property impairment	(2,882,737)	(15,700,000)	(11,000,000)
Rio Tinto contribution payments	(111,265)	(172,309)	(1,060,301)
Decrease in carrying value	(2,861,725)	(14,498,023)	(4,831,762)
Boulder claims			
Acquisition costs	38,640	-	-
Helicopter and fixed wind aircraft costs	14,074	-	-
Sampling and assays	10,168	-	-
Contractor and consultant	83,153	-	-
Permitting and other	1,541	-	-
Project management fees	45,125	-	-
Field and camp	4,300	-	-
Transport and accommodation	50,160	-	-
Total exploration costs for the period	(247,161)	-	-
Mineral property impairment	(247,161)	-	-
Increase in carrying value	-	-	-
Piche Lake property			
Total exploration costs for the period	-	167,370	-
Mineral property impairment	-	(167,370)	-
Increase in carrying value	-	-	-
All mineral properties			
Net decrease in carrying value	(1,960,163)	(14,498,023)	(4,831,762)

During the year ended March 31, 2011, the Company completed reviews of the Mackenzie and Boulder Claims projects, which considered exploration success and market conditions. The Company subsequently recorded a total impairment provision of $3,130,000, representing substantially all of those assets' carrying value.

Selected Annual and Quarterly Financial Data

Year Ended	March 31 2011 $	March 31 2010 $	March 31 2009 $
Results of operations:			
Net loss for the year	(4,465,627)	(13,892,243)	(10,341,465)
Basic and diluted loss per share	(0.07)	(0.22)	(0.16)
Financial condition:			
Cash and short term deposits	4,210,157	2,801,892	4,905,843
Mineral properties	969,909	2,930,072	17,670,592
Total assets	5,677,017	6,454,384	22,926,109
Shareholders' equity	5,054,509	6,213,835	19,884,078
Cash flow:			
Exploration expenditures	634,769	1,511,561	6,269,700
Option payment – Rio Tinto	111,265	172,309	2,283,557
Common share proceeds (gross)	2,726,500	-	147,611

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.

Quarter Ended	Cash and Equivalents $	Mineral Properties * $	Loss for the Quarter $	Loss per Share (Basic and Diluted) $
June 30, 2009	3,885,700	17,985,514	(201,493)	(0.00)
September 30, 2009	3,459,028	18,341,668	(224,828)	(0.00)
December 31, 2009	3,063,436	18,658,157	(178,337)	(0.00)
March 31, 2010	2,801,892	2,930,072	(13,287,585)	(0.21)
June 30, 2010	2,478,438	2,979,807	(210,723)	(0.00)
September 30, 2010	2,270,078	100,000	(3,192,586)	(0.05)
December 31, 2010	3,793,021	68,347	(256,838)	(0.00)
March 31, 2011	4,210,157	969,909	(805,480)	(0.01)

* Certain periods have been restated to reflect the reclassification of refundable deposits as a separate financial statement line item.

** Sum of quarterly loss per share may not equal year to date amounts due to rounding.

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 exploration and corporate activity and certain factors that may not recur each quarter.

The Company's quarterly operating loss has typically been between $175,000 and $275,000, with expenses trending downwards over most of the last two years as the Company scaled back its operations to reflect the weak market for diamonds. Expenses increased in the fourth quarter of fiscal 2011 as the Company became more active with the signing of the Watershed option. Variations from the normal level of operating loss include:

- March 31, 2010 – The Company recorded a $15,867,000 impairment against its mineral properties.
- September 30, 2010 – The Company recorded a $3,060,000 impairment of its mineral properties.
- December 31, 2010 – The Company incurred property investigation costs of $123,000 and costs associated with abandoned claims of $35,000 as it moved forward to consider new projects.
- March 31, 2011 – The Company awarded stock options with a fair value of $502,000 and incurred higher costs due regarding the Watershed option.

Results of Operations for the Year

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

- Amortization was previously allocated between operations (which was expensed) and exploration activities (which was capitalized). Following the decision to suspend exploration on the Mackenzie project, the Company has expensed all amortization of equipment.
- Consulting and advisory fees represent payments for services by individuals that are not part of the Company's personnel. In the current year, consulting fees related to preparation of a 43-101 report on the Watershed property.
- Director fees, paid to the three non-executive directors, total $40,000 annually. Two members of management are also on the board, but agreed to forgo their director fees while the Company's financial future was uncertain. The Company reinstated these fees effective January 1, 2011. If the executive directors had not agreed to forgo their fees, director fees for the year would have been $60,000.
- Investor relations expenses relate to investor communications, including maintaining and updating the website and disseminating news releases.
- Office and administration fees represent general administrative expenses including fees paid for office administration services.
- Professional fees were paid to lawyers and auditors. Professional fees were higher in the current fiscal year because the Company incurred additional fees of about $10,000 relating to IFRS conversion work and legal work associated with the Watershed option.
- Property investigation costs represent travel, direct geological labour and consulting costs to assess prospective acquisitions. In the last year, the Company has directed more time and effort to assessing properties in Canada and Asia with a commensurate increase in the expense.

- Rent relates to the Company's office premises.
- Management fees and salaries represent amounts paid to officers, employees and contractors and related benefits, net of amounts capitalized to mineral properties or allocated to property investigation costs. The change in expense from fiscal 2010 to fiscal 2011 reflects fluctuations in the allocation of staffing costs to exploration and property investigation and an increase in CEO compensation after optioning the Watershed property.
- Stock-based compensation represents the fair value of stock options that recognized over their vesting term, calculated using the Black-Scholes option-pricing model. See note 10 of the Company's March 31, 2011 financial statements for further particulars. During the current fiscal year, after the Company awarded options to certain individuals exercisable at $0.30 per share who subsequently cancelled options to acquire up to 1,900,000 common shares at between $1.00 and $1.40 per share. The option issuance and cancellation has been treated as a modification of an existing option grant for accounting purposes.
- Travel and accommodation represents the cost for management travel to the mineral properties and for corporate development activities, but does not include the travel costs to inspect prospective acquisitions. Travel and accommodation expense fluctuates significantly from period to period depending on the initiatives under way.
- Abandoned claim costs relate to expenses incurred to complete exploration work on the Piche Lake property, which was written off effective March 31, 2010.
- Mineral property impairment reflects a $2,883,000 impairment of the Mackenzie property and $247,000 impairment of the Boulder Claims property.

Results of Operations for the Fourth Quarter

Unaudited Results of Operations Quarter Ended	March 31, 2011 $	March 31, 2010 $
Amortization	18,464	1,812
Consulting fees	26,550	-
Director fees	15,000	10,000
Filing fees	12,951	5,275
Management salaries and wages	79,196	45,933
Professional fees	57,616	31,438
Property investigation	18,166	8,134
Stock-based compensation	502,000	-
Other operating expenses	69,846	55,376
Loss before the undernoted	(799,789)	(157,968)
Interest income	2,385	713
Write-down of bonds	-	(3,561)
Mineral property impairment	(8,077)	(15,867,370)
Pre-tax loss	(805,480)	(16,028,186)
Future income tax recovery	-	2,740,601
Loss for the period	(805,480)	(13,287,585)

Operating expenses increased compared to the fourth quarter of fiscal 2010 due to recognition of stock options awarded in the fourth quarter and to a higher level of activity associated with the Watershed option. After exercising the Watershed option, the Company is capitalizing related expenses but incurred professional, consulting and filing fees and shareholder communication costs, all of which were expensed. In addition, the Company's auditors undertook a review of its IFRS preparation and compensation to executive directors and officers increased in the fourth quarter since those individuals were required to spend more time on the Company's activities. As discussed in the previous section, the Company changed the basis on which it expensed amortization of its drill, which resulted in higher amortization expense in the fourth quarter of fiscal 2011 compared to the prior year.

Liquidity

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

As at		**March 31, 2011**		**March 31, 2010**
Cash and equivalents	$	4,210,157	$	2,801,892
Working capital	$	4,111,617	$	2,631,886
Year ended		**March 31, 2011**		**March 31, 2010**
Cash used in operating activities	$	(772,865)	$	(556,660)
Cash used in investing activities		(354,771)		(1,547,291)
Cash provided by financing activities		2,535,901		-
Change in cash	$	1,408,265	$	(2,103,951)

In the year ended March 31, 2011, cash used in operating activities was largely accounted for by the loss for the period net of amortization, stock-based compensation and the mineral property impairment.

Cash used in investing activities was represented by expenditures on mineral properties partially offset by a recovery of bonds and deposits and a refund of exploration expenditures by Rio Tinto. The Company received $111,000 from Rio Tinto in the current year relating to exploration expenditures incurred in fiscal 2010. The Company does not expect to receive any further payments from Rio Tinto in the foreseeable future.

Cash flows from financing activities relate to two private placements, which generated gross proceeds of $2,727,000. These private placements are described in more detail below under "Share Capital".

Through much of fiscal 2010 and fiscal 2011, the Company reduced its ongoing cash requirements. With the expected work on the Watershed properties, the Company expects that operating expenses and investment in mineral properties will increase into fiscal 2012. The Company projects it has sufficient cash and equivalents at the date of this MD&A to last at least 12 months. Favourable exploration results could lead to an accelerated exploration program, but the Company would first seek additional financing before significantly expanding the scope of its exploration programs.

At the date of this MD&A, the Company has 3,904,224 share purchase warrants outstanding that are exercisable at $0.25 per share with expiry dates between December 30, 2011 and January 14, 2012, but the Company cannot count on these warrants being exercised before they expire.

The Company's activities have been funded primarily through equity financing and contributions from Rio Tinto. The Company expects that it will continue to be able to continue with obtaining funds from equity financing but there can be no assurance, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

Adoption of New Accounting Pronouncements

The Company has not adopted new accounting pronouncements in the current fiscal year. In the fiscal year beginning April 1, 2011 the Company will commence reporting under International Financial Reporting Standards ("IFRS"). The Company has completed its evaluation of the impact of IFRS on its financial accounting and reporting systems and is ready to prepare accounting information under IFRS for comparative purposes effective April 1, 2010.

The Company has prepared a balance sheet at April 1, 2010 under IFRS that forms the opening position of the Company's comparative financial statements when reporting under IFRS. IFRS will not only impact the presentation and disclosure of items in the financial statements but also the determination of future net income and the measurement of balance sheet items. The Company's has modelled the impact of individual IFRS standards and related interpretations on its financial statements. The following IFRS standards are expected to have the most significant impact on the Company:

- 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. As part of its IFRS planning, the Company decided to continue capitalizing exploration expenses.

The Company is compiling comparative period operations and cash flow data including that required for quarterly and annual financial statements and disclosures. The Company is monitoring IFRS development to ensure that its IFRS plan is still appropriate.

Related Party Transactions

At March 31, 2011, the Company had three employees and arrangements with contractors to provide certain administrative, accounting and management services. In addition, certain directors, officers and significant shareholders provide management and consulting services to the Company. The Company does not have any contractual commitments with related parties. Particulars of related party transactions are disclosed in note 11 of the March 31, 2011 financial statements.

The Company pays its three non-executive directors annual fees of $60,000 in aggregate. The two executive directors (Peter Miles and Buddy Doyle) agreed to forgo their director fees until the Company's financial position improved but following the recent private placements, the Company reinstated director fees to these individuals.

As a result of CRA's conclusion in fiscal 2010 that certain contractors of the Company should have been treated as employees, the Company paid remittances and related penalties for payroll deductions. CRA will refund an estimated $16,000 to the individuals, who have agreed to return the funds to the Company when received. The amount due from employees also includes GST of $5,000 arising from the characterization of the contractors as employees. In the year ended March 31, 2011, the Company collected $12,000 of the $21,000 initially recorded as receivable.

In addition, the Company received reimbursement of exploration expenses from Rio Tinto (which is a shareholder), as described in more detail in notes 6 and 11 of the March 31, 2011 financial statements.

Contractual Obligations and Commitments

Particulars of the Company's contractual obligations and commitments are disclosed in note 12 to the March 31, 2011 financial statements.

Share Capital

The Company had 81,585,172 common shares issued and outstanding at March 31, 2011 and 62,762,623 common shares issued and outstanding at March 31, 2010.

Private Placements

December 2010 Flow-Through

In December 2010, the Company completed a private placement in two tranches, issuing 10,155,883 flow-through shares pursuant to the *Income Tax Act* (Canada) at a price of $0.17 per flow-through share for gross proceeds of $1,726,500. The Company renounced an amount equal to the gross proceeds derived from the sale of the flow-through shares to purchasers in accordance with the provisions of the *Income Tax Act* (Canada). All securities issued in the closing of the private placement were subject to a hold period that expired May 1, 2011.

In connection with this private placement the Company paid $27,000 and issued 537,352 broker warrants in finders' fees and incurred other cash offering costs of $83,000. Each broker warrant is exercisable for one non flow-through share at a price of $0.25 for a period of 12 months. In aggregate, the Company incurred cash costs comprising finder's and professional fees of $110,000 and issued broker warrants with a fair value of $39,000.

The net proceeds from the flow-through shares will be used by the Company for exploration work on its Watershed properties.

January 2011 Non Flow-Through

In January 2011, the Company completed a private placement issuing 6,666,666 units at a price of $0.15 per unit for gross proceeds of $1,000,000. Each unit consisted of one non flow-through common share in the capital of the Company and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one share at a price of $0.25 per share until January 14, 2012. All securities issued in connection with this closing were subject to a hold period that expired on May 15, 2011.

In connection with the private placement, the Company paid a cash commission of $47,000 to certain arm's length finders (equal to 6% of the subscriptions placed by the finders) and issued 163,333 non-transferable broker's warrants to an arm's length finder (equal to 7% of the units placed by the finder) with a fair value of $12,000. Each broker's warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.25 per share until January 14, 2012. The total cash offering costs were $80,000.

The net proceeds from the non flow-through shares will be used by the Company for general corporate purposes.

Stock Option Plan

In April 2011, the Company's shareholders approved a new rolling share option plan (the "Option Plan"), to replace its previously adopted plan, with the intent to increase the Company's ability to offer incentives to directors, officers, employees, management and others who provide services to the Company and align the Option Plan with current regulatory requirements. Under the Option Plan, a maximum of 10% of the issued and outstanding common shares at the time an option is granted, less common shares reserved for issuance on exercise of options then outstanding under the Option Plan, are reserved for options to be granted at the discretion of the board to eligible optionees. All outstanding options are to be rolled into the Option Plan.

Stock options granted under the Option Plan are non-assignable and non-transferable and are issuable for a period of up to 10 years. In the case employment or other contracting arrangement of a director, officer, employee or consultant of the Company of an optionee being terminated, the options will immediately terminate without right to exercise. The board of directors of the Company determines the exercise price, which may be no less than the discounted market price, as defined in the Option Plan, at the day of grant.

Earlier in the current fiscal year, the Company suspended exploration activities on the Mackenzie property. As a result, stock options awarded to contractors working on the Mackenzie property to purchase a total of 410,000 common shares were forfeited in the year ended March 31, 2011.

In February 2011, the Company granted 4,350,000 stock options exercisable at $0.30 per share for five years that vest in four equal tranches over an 18-month period. Certain directors, an officer and an employee subsequently cancelled options to purchase 2,250,000 common shares at between $1.00 and $1.40 per share. The Company has treated the option issuance and cancellation as a modification of an existing option grant for accounting purposes.

Share Purchase Warrants

In December 2010, the Company issued 537,352 broker warrants in connection with the flow-through financing described above.

In January 2011, the Company issued 163,333 broker's warrants in connection with the $1,000,000 private placement described above. The Company also issued 3,333,333 share purchase warrants as part of the January private placement.

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

Dividends

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

Outstanding Share Information

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

- 81,714,966 common shares;
- financing warrants to purchase 3,318,833 common shares;
- broker's warrants to purchase 585,391 common shares; and
- 6,910,000 stock options.

Fully diluted share capital is therefore 92,529,190 common shares.

Changes to the Board of Directors and Management

There were no changes to the board of directors or management during the year ended March 31, 2011.

Risks and Uncertainties

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

Capital Markets and Economic Uncertainty

Sanatana does not have sufficient cash or access to capital to complete the development of its mineral properties, even if it were to find an economic mineral resource. The Company's business plan currently relies on obtaining funding through offerings of its equity.

*Nature of Mineral Explor*ation and Development Projects

The business of mineral exploration involves a high degree of risk. Few of the properties that are explored are ultimately developed into mines. Sanatana's properties are in the exploration stage; at present the Mackenzie project does not have a known commercial diamond deposit and the Watershed and Boulder Claims properties are not known to have any valuable mineralization. Proposed exploration programs are exploratory searches for such a deposit. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors that are beyond the control of the Company.

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

The Company's operations are also subject to the additional risks associated with the short exploration season in certain parts of Canada. In particular, the Company's Mackenzie property exploration programs are dependent upon sufficient logistical support, including camps and fuel caches, to allow productive exploration activities during the brief arctic summer. A breakdown in logistical support could severely curtail an exploration program.

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

The profitability of the Company's operations will be dependent on the market price of the resources it is seeking, currently diamonds and gold. Resource prices are affected by factors beyond the control of the Company, including international economic and political conditions, levels of supply and demand, international currency exchange rates and, in the case of diamonds, the policies of the Diamond Trading Company.

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 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.

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