



## Management's Discussion and Analysis

December 31, 2023



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**SANATANA**  
RESOURCES INC.

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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. and its subsidiary's (collectively "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 resources or 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 "TSX-V") 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.*

*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 was prepared as of February 23, 2024 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the period ended December 31, 2023 and Company's audited financial statements and related notes for the year ended March 31, 2023. This MD&A is intended to provide the reader with a review of the Company's performance for the period ended December 31, 2023 and through to the date of this report, and the factors reasonably expected to impact future operations and results. This MD&A contains forward-looking statements that are subject to certain risk factors included in this document.

The Company's unaudited condensed interim consolidated financial statements for the period ended December 31, 2023 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with IFRS as issued by the IASB and interpretations of the International Financial Reporting Interpretations Committee.

All financial amounts in this MD&A are in Canadian dollars unless otherwise noted.

## **INCORPORATION AND LISTING INFORMATION**

Sanatana was incorporated 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 Québec. The Company has one wholly owned subsidiary, ExSol (SI) Limited ("ExSol"), incorporated under the laws of the Solomon Islands. The Company's common shares trade on the TSX-V as a mining exploration and development company under the symbol STA.

## **OPERATING REPORT**

The Company is an exploration stage company and is engaged in the acquisition, exploration and development of exploration and evaluation assets.

In July 2021, the Company entered into an agreement with ArcWest Exploration Ltd. ("ArcWest") to option up to 80% of ArcWest's Oweegee Dome porphyry copper-gold project in British Columbia's Golden Triangle. Exploration results to date have been promising and the Company plans to direct most of its efforts on this property.

In July 2020, the Company entered into an option to acquire the Gold Rush project, as defined below, in Ontario and subsequently undertook an exploration program. The Company has terminated its options on the properties that comprise the Gold Rush project. In April 2022, the Company staked the Fortune property in Ontario and in June 2022, the Company completed the purchase of the Enid property in Ontario.

The Company also has rights to the Empress and Santoy properties in Ontario. The Company may work on Santoy, but does not plan to undertake significant further exploration on the Empress property.

Sanatana's exploration programs are carried out under the supervision of the Company's president, Buddy Doyle. Mr. Doyle meets the qualified person ("QP") requirements of *National Instrument 43-101 - Standards of Disclosure for Mineral Projects* ("NI 43-101") and is responsible for the geoscientific and technical disclosure contained in this document.

## **CORPORATE DEVELOPMENTS**

- In October and November 2023, the Company reported on the results of its 2023 IP program at the Oweegee Dome project.
- In December 2023, the Company closed a private placement that raised \$368,000 through the issuance of flow-through shares. See *Share Issuances* below.
- In February 2024, the Company received BC Mineral Exploration Tax Credits that will substantially fund repayment of a loan that was secured by the tax credits and a general security agreement covering all assets of the Company.

## **MINERAL PROPERTIES**

### ***Oweegee Dome Project***

In July 2021, the Company entered into an agreement with ArcWest to option up to 80% of ArcWest's Oweegee Dome porphyry copper-gold project in British Columbia's Golden Triangle. The Oweegee Dome project is situated 45 km east of Seabridge Gold Corp's supergiant KSM-Iron Cap porphyry Cu-Au project. The 31,077-hectare Oweegee Dome project contains two large underexplored porphyry Cu-Au systems named the Delta and Skowill East Zones. The agreement received TSX-V approval in April 2022.

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The Company's work to date has completely revised the geology of Oweegee Dome project. Previously, all rocks were considered to be the less prospective Jurassic Hazelton Group with no intrusives mapped. Now with age dating, mapping and drilling, we know that Oweegee Dome has an area of multiple altered intrusives within the Triassic Stuhini Group, which hosts all the porphyry copper-gold mineralization in the Golden Triangle.

*Option Agreement*

The Company can earn an initial 60% interest in the Oweegee Dome project by funding, over a four-year period, cumulative exploration expenditures of \$6,600,000 and by making staged cash and share payments totaling \$500,000 and 2,000,000 shares, respectively. To date the Company has paid \$100,000, issued 700,000 common shares and expended \$4,598,000 on mineral exploration:

Event or Date	Cash	Shares	Cumulative Exploration Expenditures	Cumulative Drilling Commitment
	\$		\$	Metres
Signing letter of intent <sup>2</sup>	12,500	-	-	-
On TSX-V approval <sup>2</sup>	12,500	-	-	-
December 31, 2021 <sup>1,2</sup>	25,000	300,000	600,000	-
December 31, 2022 <sup>1,2,3</sup>	50,000	400,000	1,600,000	1,000
December 31, 2023 <sup>1,3</sup>	100,000	600,000	3,600,000	3,000
December 31, 2024	300,000	700,000	6,600,000	6,000
	500,000	2,000,000		

<sup>1</sup> Expenditure requirement satisfied  
<sup>2</sup> Cash paid and shares issued  
<sup>3</sup> Drilling commitment satisfied

Upon earning a 60% interest, Sanatana will have a 60-day period to elect to earn an additional 20% interest, the second option, for an aggregate 80% interest, or form a joint venture ("JV"). The Company may earn the additional 20% interest, the second option, by completing a feasibility study on or before December 31, 2027. In order to keep the second option in good standing, the Company must pay ArcWest \$150,000 on each anniversary of the delivery of the initial interest notice until the feasibility study has been completed and delivered to ArcWest.

Following the exercise or lapse of the second option, the parties will form a JV to hold and operate the properties, and each party will proportionately fund or dilute. In the event a production decision is made by the JV to place the property into production, Sanatana shall arrange project financing for the JV, the repayment of which shall be made out of cash flows from the property. Should Sanatana or ArcWest's interest be diluted to less than 10%, then that interest will convert to a 2% net smelter return ("NSR") royalty, 1% of which may be purchased by the other party for \$5,000,000 at any time.

*Finder's Fee*

In connection with the Oweegee Dome project, the Company paid a finder's fee of \$25,000 in cash plus 250,000 common shares. A further issuance of 225,000 common shares will be made if Sanatana exercises its option to acquire a 80% interest in the Oweegee Dome project.

### *Historic Exploration*

The Oweegee Dome project is situated in the "Golden Triangle" area in Northern British Columbia famous for its copper and gold endowment. Detrital zircons recovered from the streams draining the project returned late Triassic to early Jurassic ages, which are similar to Red Chris (Newcrest Mining-Imperial Metals), Saddle North (Newmont) and Galore Creek (Newmont-Teck Resources), good evidence for porphyry Cu-Au systems at Oweegee.

### *Principal Prospects*

The Company's exploration program has generated the following prospects:

#### Delta Prospect

The Delta prospect comprises a 20 square kilometre area of alteration containing gossans, Cu-Au mineralized porphyritic intrusions and associated breccias. The system is hosted in marine sediments and volcanics of the Stuhini Group which also hosts the Red Chris and Saddle North porphyry Cu-Au deposits. The Delta prospect contains several zones of greater interest:

- Delta Ridge zone
- Molloy zone
- Snowpatch Creek zone.

In 2022, the Company undertook a drill program at the Delta Prospect.

#### Skowill Prospect

The Skowill prospect is 10 km north of the Delta Zone and is thought to be a virtually unexplored porphyry Cu-Au system. Historical reports describe the zone as a 2 km long gossan comprising intensely QSP/clay-pyrite altered porphyritic intrusions, widespread breccia and associated copper occurrences. In 2021, field crews discovered the Tarn Zone on the eastern edge of the Skowill Prospect; it is spatially associated with the contact between Stuhini Group sedimentary rocks and a succession of volcanic rocks that have recently been dated at 206 Ma.

#### Glacier Prospect

The Glacier prospect lies between the Skowill and Delta prospects and to the west. The Glacier Prospect has had the least attention to date, it consists of Cu, Te and Au in stream anomalies and some anomalous in copper and Au rock float samples.

#### East Bear Creek Prospect

Bear Creek forms the geographic boundary to the Delta prospect, so this prospect lies adjacent to the east. The mapping revealed multiple fine-grained altered diorite intrusives. Being adjacent to the Delta outcrop, the discovery of altered and mineralized intrusive outcrops demonstrates a very large system. The Bear Creek zone is a new 0.3 km by 1.7 km zone adjacent to the 1.5 km by 2 km Delta system. Much of it is covered by moraine and cap rock, so the system could be larger.

#### Skowill Prospect

Several QSP ( $\pm$  clay, barite) altered diorite dikes and breccias were observed over a 1.5 km strike length in NW orientation, hosted in Dev-Miss volcanics. Dikes/breccias are often narrow (~1m) but also up to 50 m wide, and contain possible trace chalcopyrite (assays pending). The trend of the zone of dikes (NW-SE) lines up well with texture in the airborne mag.

The QSP-altered diorite dikes appear to project underneath Lower Hazelton volcanoclastic cover and there is potential for a blind porphyry beneath this cap.

### Glacier Prospect

The Glacier prospect is based on the report of a copper anomalous float sample from historic work in 2008. The source of this float is yet to be found.

### Rhyolite Ridge Prospect

Recognized from Jarosite anomalies detected in Aster satellite imagery, the outcrop is kilometres long, much of it in difficult terrain, and is yet to be fully investigated. Early samples taken in 2022 did not return Au or Cu in elevated values.

### 2022 Exploration Program

The Company spent eight weeks between June and early September 2022 exploring the Oweege Dome property with the aim of advancing or downgrading regional targets, discovering new zones for future work and better understanding targets that were previously drilled.

The Company undertook an IP program between July and September 2022 which included approximately 8 line-kilometres of IP geophysical surveying, focused mainly to the south and west of the 2021 program. This program expanded and improved the 9 line-kilometres of IP geophysical surveying completed in 2021. For this work, Sanatana contracted Dias Geophysical’s distributed array deep IP (“DCIP”) survey system. This system provides full, high quality, and high-resolution 3-D resistivity and induced polarization models of the subsurface.

The Company’s summer 2022 field work addressed most of the targets and prospective zones in the Oweege property. The areas visited are listed below with their prospect name, in order of priority based on field observations and known mineralization.

1. Delta Ridge / Delta Prospect
2. Molloy / Delta Prospect
3. Upper East Bear Valley / Bear Valley Prospect
4. Jack Creek / Delta Prospect
5. Snowpatch Creek / Delta Prospect
6. Tarn / Skowill Prospect
7. Lower East Bear Valley / Bear Valley Prospect
8. Lower Snowpatch / Delta Prospect
9. Glacier Creek
10. Rhyolite Ridge
11. Others

In 2022, the Company completed a first-pass reconnaissance 3,600m diamond drill program using 12 holes and successfully intersected Cu-Au-Mo porphyry style mineralization. The alteration and setting suggest that this is the upper edge of a large system (cooler temperature phyllic alteration, whereas high grade core is expected in hotter potassic) and that there are multiple systems, (different element ratios, alteration styles and the distance between the Snowpatch, Molloy, Delta Ridge and East Bear zones, and associated multiple IP anomalies). Future work will centre on vectoring in and expanding on the known mineralization at Delta Ridge and targeting the IP anomalies. Table 1 lists the mineralized intercepts.

	From	To	Width m	Au g/t	Ag g/t	Cu%	Mo g/t	Cu eq %
OW-2022-08	45	219	214.4	0.204	1.61	0.108	17.9	0.27
Including	58.37	170.55	112.18	0.217	1.08	0.167	28.3	0.35
Including	74.5	90.35	15.85	0.333	2.11	0.343	22.6	0.61

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	From	To	Width m	Au g/t	Ag g/t	Cu%	Mo g/t	Cu eq %
Including	141.32	166	24.68	0.284	1.28	0.277	53.6	0.52
Including	145	157.37	12.37	0.435	1.86	0.451	94.3	0.83
OW-2022-09	4	200	196.00	0.123	1.51	0.096	21.4	0.21
Including	10	54.75	44.75	0.132	1.38	0.132	26.4	0.25
Including	148.04	167	18.96	0.113	1.67	0.110	33.1	0.22
Including	185.3	200	4.00	0.144	2.79	0.053	38.6	0.28

*CuEq (copper equivalent) has been used to express the combined value of copper (Cu), gold (Au), molybdenum (Mo), and silver (Ag) as a percentage of copper, and is provided for comparative purposes only. No allowances have been made for recovery losses that may occur should mining eventually occur. Calculations use metal prices of US\$3.50/lb copper, US\$1,700/oz gold, US\$20/lb molybdenum, and US\$19/oz silver, using the general formula  $CuEq \% = Cu\% + (Au\ g/t * (Au\ \$\ per\ oz / 31.103) / (Cu\ \$\ per\ lb * 22.046)) + (Ag\ g/t * (Ag\ \$\ per\ oz / 31.103) / (Cu\ \$\ per\ lb * 22.046)) + (Mo\ \% * (Mo\ \$\ per\ lb / Cu\ \$\ per\ lb))$ .*

### *2023 Exploration Program*

In the summer of 2023, the Company completed an 8.5 line-kilometres of IP geophysical surveying at the Oweegee Dome project expanding and improving surveys completed in 2021 and 2022. For this work, Sanatana again contracted Dias Geophysical's DCIP survey system. The primary goal of the 2023 survey was to test mineralization discovered in 2022 on the east side of Bear Valley and to close off the Junction anomaly discovered in 2022.

The 2023 program greatly enlarged the Junction anomaly which now extends over 1,000 m wide, 2,000 m along strike and extends to depth limits of the survey (about 800 m below surface). This area will form the target for a 2024 drill program.

*The technical information provided for the Oweegee Dome project was prepared under the supervision of Buddy Doyle. Mr. Doyle is a Qualified Person for the purposes of NI 43-101 – Standards of Disclosure for Mineral Projects and has reviewed and approved the technical information disclosed above.*

### **Gold Rush Project**

In July 2020, the Company entered into an option agreement with South Shore Partnership Inc. ("South Shore") to acquire: (1) a 100% interest in the Gold Rush North property; and (2) a 100% interest in the Gold Rush South property. Together, the Gold Rush North property and the Gold Rush South property formed the "Gold Rush Project". Sanatana held separate options on the Gold Rush North and Gold Rush South properties. In September 2022 and July 2023, the Company terminated its options on the Gold Rush South and Gold Rush North properties respectively due to lack of exploration success.

### **Santoy Property**

In December 2017, Sanatana signed an asset purchase agreement, which was approved by the TSX-V in April 2018, to acquire the Santoy property in Ontario. The Santoy property is located on the northern shores of Lake Superior, 20 km east of Terrace Bay via Highway 17, Ontario. The property covers an area of 551 hectares (1,362 acres) made up of 32 cell mining claims, half of which are boundary cells. The drill permitting moratorium has been lifted and it is now possible to obtain access and drilling permits following a process. The property was visited by consulting



geologist Kevin Kivi and prospected. An assessment report was filed, gaining 12 months before more work is required to be filed.

### ***Empress Property***

In February 2017, the Company entered into an option agreement with Alto Ventures Ltd. ("Alto"), to acquire a 100% interest in the Empress property, part of the project formerly referred to as the Jackfish property, located on the northern shores of Lake Superior, 18 km east of Terrace Bay via Highway 17, Ontario. The drill permitting moratorium has lifted and it is now possible to obtain access and drilling permits through a process. The Company relogged and sampled drill core from 2018 on the Empress property and some quartz zones with sulphides were noted. The drill core has been sent for assay and results are pending. An assessment report for the property was filed to keep the claims in good standing.

## **FINANCIAL**

Financial amounts in the narrative have been rounded to the nearest thousand dollars.

### ***Changes in Accounting Policy***

#### *Exploration and evaluation expenditures*

Effective April 1, 2023, the Company adopted a new accounting policy for exploration and evaluation expenditures. The Company has determined that the change in accounting policy enhances the relevance of the financial statements for users. In prior years, the Company capitalized exploration and evaluation expenditures when the Company had the legal right to explore a property. The Company has changed this accounting policy to expense exploration and evaluation expenditure including acquisition costs until such time that an appropriate economic assessment has been completed and there is confidence that permits can be obtained to develop the project. The accounting policy change has been applied on a retrospective basis to the consolidated financial statements.

#### *Loans payable*

Interest expense is calculated using the effective interest rate which considers not only interest payments due on the debt but other fees charged by the lender and transactions costs such as legal fees that are directly attributable to the financing instrument. Adoption of this policy does not have any effect on the comparative financial statements or opening balances.

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**Selected Quarterly Financial Data**

The Company did not have any sales, discontinued operations, extraordinary items, cash dividends or long-term liabilities in the period under review. Material factors affecting operations and exploration and evaluation asset expenditures are described elsewhere in this MD&A.

Quarter Ended	Cash and Equivalents and Liquid Short-Term Investments \$	Exploration Expense <sup>1</sup>	Loss for the Quarter <sup>1</sup> \$	Loss per Share <sup>1,2</sup> (Basic and Diluted) \$
March 31, 2022	2,208,490	217,678	(711,337)	(0.01)
June 30, 2022	3,959,764	1,050,364	(1,676,300)	(0.03)
September 30, 2022	1,001,980	2,603,226	(2,742,457)	(0.04)
December 31, 2022	779,164	438,555	(670,724)	(0.01)
March 31, 2023	339,369	145,585	(361,145)	(0.00)
June 30, 2023	664,742	103,515	(354,495)	(0.00)
September 30, 2023	201,562	374,613	(453,168)	(0.01)
December 31, 2023	314,039	194,472	(371,848)	(0.00)

<sup>1</sup> Amounts relating to prior fiscal years have been restated to reflect the accounting policy change to charge mineral property expenditures to operations

<sup>2</sup> Sum of quarterly loss per share may not equal year-to-date amounts due to rounding.

The Company is an exploration stage company and has not generated any sales or revenues, nor has it had any extraordinary items or discontinued operations in the most recent eight fiscal quarters. As the Company is still in the exploration stage, variances in its quarterly losses are not affected by sales or production-related factors. Variances by quarter reflect overall exploration and corporate activity and certain factors that may not recur each quarter. Significant variations from the normal level of operating loss, other than changes in exploration expense set out in the table above, include:

- March 31, 2022 – The Company recorded an unrealized loss on short-term investments of \$245,000.
- June 30, 2022 - The Company recorded an unrealized loss on short-term investments of \$296,000.

**Results of Operations for the Period**

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

- Consulting and advisory fees represents amounts paid for consulting projects. In the periods presented, the fees were for general geological consulting and market awareness.
- Director fees represent fees paid for attending meetings. The comparative-period expense includes a \$50,000 additional fee paid to a director.
- Exploration expense includes the cost of acquiring and exploring the Company's mineral properties up to the time that the property is classified as being at the development stage.

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Most of the expense in the current and comparative periods relates to the Oweegee Dome property.

- Financing expense represents the cost of the loan which has an effective interest rate of 15.4%.
- Investor relations expenses relate to investor communications, including maintaining and updating the website and disseminating news releases.
- Management fees and salaries represent amounts paid to officers, employees and contractors and related benefits, net of amounts capitalized to exploration and evaluation assets or allocated to exploration or property investigation costs.
- Office and administration includes sundry overhead costs including rent of a storage locker.
- Professional fees are amounts billed by lawyers and auditors. The current period expense was for legal fees on various matters. Legal fees associated with private placements are offset against funds raised rather than expensed.
- Share-based compensation in the current period represents the fair value of options granted to directors, officers, employees and contractors calculated using the Black-Scholes option-pricing model. The Company awarded options in October 2021 and June 2022 and recognized the fair value of the options over their vesting periods which ended in April 2023 and December 2023 respectively.
- Travel and accommodation represents the cost for management to travel to Sanatana's exploration and evaluation assets and for corporate development activities. Travel and accommodation expense fluctuates significantly from period to period depending on the initiatives under way.
- Unrealized loss on marketable securities primarily relates to the change in the fair value of the Gold Royalty Corp. warrants. The Company holds warrants to purchase shares of Gold Royalty Corp. The value of the warrants depends on, among other things, the trading price of Gold Royalty Corp. shares and the remaining life of the warrant.
- Other income in the current period represents (1) investment income on short-term investments and (2) satisfaction of the obligation to renounce flow-through tax benefits (\$174,000). Other income in the comparative period represents interest income.

***Changes in Financial Condition***

Changes in the Company's financial condition between March 31, 2023 and December 31, 2023 primarily represent:

- private placement of flow-through shares;
- decrease in the carrying value of Gold Royalty Corp. warrants primarily attributable to a fall in that company's share price;
- operations in the normal course including exploration, primarily on the Oweegee Dome property;
- loan receipts of \$702,000 net of related expenses; and
- satisfaction of the liability to renounce exploration expenditures.

### ***Liquidity***

At December 31, 2023, the Company had cash and liquid short-term investments of \$314,000 (March 31, 2023 - \$339,000) and working capital deficiency of \$711,000 (March 31, 2023 – working capital of \$73,000). Specific factors affecting the Company's liquidity are:

- The Company received a BC Mineral Exploration Tax Credit of approximately \$760,000 relating to the fiscal years ended March 31, 2022 and 2023. These funds, in combination with cash on hand, will be used to settle the loan payable.
- The Company also may be eligible to receive a 20% refundable tax credit on eligible exploration expenditures in British Columbia incurred in fiscal 2024.
- The Company has an option agreement to acquire up to an 80% interest in the Oweegeee Dome project that will require exploration, option and finder's fee payments and drilling activity as outlined above.
- Shares received on the exercise of Gold Royalty Corp. warrants are subject to trading restrictions that may delay the sale of the shares after exercise.

Sanatana expects to address its funding needs through private placements or joint ventures but may not be able to do so on acceptable terms or at all. If the Company's share price improves, warrant holders may exercise their share purchase warrants, but there can be no assurance that they will do so.

### ***Related Party Transactions***

At December 31, 2023, the Company had three employees and arrangements with contractors to provide certain administrative, accounting and management services. In addition, certain directors and officers provide management and consulting services to the Company. The Company is not currently committed under employment contracts but had entered into a director services contract with Tom Obradovich that provided for the payment of \$10,000 every quarter. Mr. Obradovich resigned as a director in April 2023. Other directors are paid \$500 for each board meeting attended.

The Company paid management fees of \$26,880 to S2 Management Inc., a company controlled by the Company's CFO for CFO and related secretarial services.

The fair value of share-based compensation paid to the board of directors and management in the nine-month period ended December 31, 2023 totalled \$23,400.

Insiders participated in a private placement as described below under *Share Issuances*.

### ***Critical Accounting Estimates***

The Company has losses carried forward which should be available to offset any likely taxable income, but flow-through accounting requires estimates of tax effects that could be material.

The Gold Royalty Corp. warrants are not traded on an exchange so it is necessary to estimate their value. The valuation calculations are subject to many assumptions which can have a material bearing on the conclusion.

Share-based payment transactions such as options are subject to assumptions which can have a material bearing on the recorded expense.

The Company estimates the obligation to renounce exploration expenditures when it undertakes flow-through financings. The estimate is subject to several assumptions which could significantly change the outcome.

### ***Financial Instruments***

Generally, Sanatana does not have financial instruments that are likely to be settled for other than face value, so the risk to the business from financial instruments is low. The one exception is the warrants the Company holds to purchase shares of Gold Royalty Corp. These warrants are valued at every reporting period using the Black-Scholes option-pricing model which inevitably involves some subjectivity. The warrants are however not material to the finances or liquidity of Sanatana.

### **SHARE CAPITAL**

The Company had 75,650,822 common shares issued and outstanding at March 31, 2023 and 79,930,822 common shares issued and outstanding at December 31, 2023.

### ***Share Issuances***

In December 2023, the Company completed, in two tranches, an offering of flow-through units of the Company at a price of \$0.10 per unit. Each unit consisted of one common share designated as a flow-through share pursuant to the Income Tax Act (Canada) and one non-flow through share purchase warrant exercisable at \$0.15 per share for a period of 36 months. The Company will use the proceeds from the sale of the units for exploration in British Columbia.

In connection with the private placement, the Company paid finders' fees of \$7,800 and issued 218,000 compensation warrants exercisable at \$0.10 per share for a period of 36 months.

Insiders of the Company subscribed for 900,000 units in the private placement, for a subscription price of \$90,000. The insider subscriptions constitutes a "related party transaction" within the meaning of Multilateral Instrument 61-101 - *Protection of Minority Securityholders in Special Transactions* ("MI 61-101"). The Company relied on the exemptions from the formal valuation and minority shareholder approval requirements of MI 61-101 contained in Sections 5.5(b) and 5.7(1)(a), respectively, in respect of the insider subscriptions as the Company is not listed on a specified market and the fair market value of the units issued to insiders in connection with the private placement does not exceed 25% of the market capitalization of the private placement, which the Company deemed reasonable in order to complete the private placement expeditiously.

### ***Share Option Plan***

#### ***Plan Description***

The Company has a rolling share option plan that provides an incentive to directors, officers, employees, management and others who provide services to the Company. 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.

Options granted under the option plan are non-assignable and non-transferable and are issuable for a period of up to ten years. In the case of employment or other contracting arrangements of a director, officer, employee or consultant of the Company being terminated, the options will immediately terminate without right to exercise. The board of directors of the Company determines the exercise price, which may be no less than the discounted market price, as defined in the option plan, at the day of grant. The Company's shareholders re-approved the plan in August 2023.

### *Share Option Activity*

In July 2023, options to purchase up to 400,000 shares at \$0.16 per share and up to 500,000 shares at \$0.20 per share were forfeited.

### **Dividends**

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

### **Outstanding Share Information**

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

- 79,930,822 common shares;
- 19,935,733 warrants to purchase common shares; and
- 5,500,000 share options.

Fully diluted share capital based on outstanding shares, options and warrants is therefore 105,366,555 common shares. In addition to issued share purchase warrants and share options, the Company has entered into option agreements to acquire mineral properties that could result in the issuance of up to 700,000 common shares as option payments and up to 225,000 common shares as a finder's fee, see *Oweegee Dome Project* above.

## **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. The following are the principal risks that the Company faces:

### Capital Markets and Economic Uncertainty

Sanatana will have to raise additional funds to earn a 60% interest in its Oweegee Dome project and develop the property, even if it were to find economic mineral resources. The Company's business plan currently relies on obtaining funding through offerings of its equity.

### Nature of Mineral Exploration and Development Projects

The business of mineral exploration involves a high degree of risk. Few of the properties that are explored are ultimately developed into mines. 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.

Mineral exploration is subject to risks which could result in damage to life or property or the environment. The Company's business is 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.

In the event the Company is fortunate enough to discover a sizable deposit, the economics of commercial production depend on many factors, including the cost of operations, the size, quantity and quality of ore concentration of gold, proximity to infrastructure, financing costs and

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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 ability of the Company to develop its mineral properties may be adversely affected by First Nations claims on the land.

The profitability of the Company's operations will be dependent on the market price of the resources it is seeking, currently copper 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 and international currency exchange rates.

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

#### 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 related interest 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.

Additional information is available at the Company's website at [www.sanatanaresources.com](http://www.sanatanaresources.com). For all regulatory filings including news releases, please refer to the Company's profile on [www.sedarplus.ca](http://www.sedarplus.ca).