



TSX.V: STA  
AIM: SAN

# **CORPORATE DISCLOSURE** **POLICY**

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In accordance with good corporate governance practices, Sanatana Diamonds Inc. (“Sanatana” or the Company) has implemented the following as its corporate disclosure policy.

## **Purpose**

The purpose of the Company’s corporate disclosure policy is:

1. To ensure that every shareholder (existing and potential) has equal access to information that may affect their investment decisions;
2. To ensure that material information (both positive and negative) about the Company is disclosed in a timely manner;
3. To ensure that “insiders” are aware of their responsibilities regarding knowledge of “material facts” or “material changes” prior to such information being made public, and aware of the risks and penalties regarding the inappropriate and unauthorized disclosure of such information; and
4. To assist “insiders” with determining whether information should be considered a “material fact” or a “material change”.

## **Determination of Material Information**

When determining whether information is material, a number of factors must be considered including, the nature of the information itself, the volatility of the Company’s securities and prevailing market conditions. As the nature of the business changes, information that was once considered material may be considered immaterial and vice versa. The determination of whether information is material or not should be evaluated on a case by case basis – with the general guiding principle being whether such information would have, or could reasonably be expected to have a significant effect on the market price or value of the Company’s securities. If there is any doubt whether the information is material, the Company will take the position that the information is material and release it publicly.

Some examples of potentially material information are:

- Changes in share ownership that may affect control of the Company
- Major reorganizations, amalgamations, or mergers
- Take-over bids, issuer bids, or insider bids
- The public or private sale of additional securities
- Planned repurchases or redemptions of securities
- Planned splits of common shares or offerings of warrants or rights to buy shares
- Any share consolidation, share exchange, or stock dividend
- Changes in the Company's dividend payments or policies
- Possible initiation of a proxy fight
- Material modifications to rights of security holders
- Unexpected changes in the financial results for any periods
- Shifts in financial circumstances, such as cash flow reductions, or major asset write-offs or write-downs
- Changes in the value or composition of the Company's assets
- Any material change in the Company's accounting policies
- Any development that affects the Company's resources, products or markets
- A significant change in capital investment plans or corporate strategy
- Major labour disputes or disputes with major contractors or suppliers
- Significant new contracts or business, or significant losses of contracts or business
- Significant exploration results
- Changes to the Board of Directors or executive management
- Commencement of, or developments in, material legal proceedings or regulatory matters
- Waivers of corporate ethics and conduct rules for officers, directors or key employees
- Any notice that reliance on a prior audit is no longer appropriate
- Listing of the Company's securities on a new quotation system or exchange or the de-listing of the Company's securities or their movement from one quotation system or exchange to another
- Significant acquisitions or dispositions of assets, property or joint venture interests
- Acquisitions of other companies, including a take-over bid for, or merger with, another company
- Acquisitions or sales of significant land holdings
- The borrowing or lending of a significant amount of money
- Any mortgaging or encumbering of the Company's assets
- Defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- Changes in rating agency decisions
- Significant new credit arrangements
- Changes in the laws, political stability or business environment in any international jurisdiction where the Company carries on business

The above list is not exhaustive and will be reviewed and amended by the Company on a regular basis.

## **Disclosure of Material Information**

To ensure that every shareholder (existing and potential) has equal access to information that may effect their investment decisions, the Company will disclose all material information as soon as practicably possible. All material changes will be disclosed through the issuance and filing of a press release through a widely circulated news or wire service. Additionally, a material change report will be filed within 10 days of the material change.

In rare instances, delay of disclosure of material information is permitted where immediate release of the information would be unduly detrimental to the Company's interests (i.e. immediate disclosure might interfere with a Company's pursuit of a specific objective or strategy, with ongoing negotiations, or with its ability to complete a transaction). In determining whether delaying the release of information is justified, the Company must determine that the release of the information would do more harm to the Company's business than the general benefit to the market of immediate disclosure. Where the Company has determined to delay the release of the confidential information, it shall consider making a confidential filing with the securities commissions. In addition, the Company will monitor the market activity in the Company's securities very closely – and should it appear to the Company that the confidential information has been leaked or is having an impact on the share price, it will take immediate steps to ensure that a full public announcement is made as soon as possible (with the Company contacting the exchange and requesting a trading halt pending the issuance of a news release).

## **Limited Disclosure of Material Information**

The Company recognizes that in some instances it will be necessary to disclose confidential information in the normal course of business. National Policy 51-201 has listed examples of instances where the “necessary course of action” exception would apply.

Examples include communications with:

- Vendors, suppliers, or strategic partners on issues such as exploration results, research and development, sales and marketing, and supply contracts;
- Employees, officers and board members;
- Lenders, legal counsel, auditors, underwriters, and financial and other professional advisors to the Company;
- Parties to negotiations;
- Labour unions and industry associations;
- Government agencies and regulators; and
- Credit rating agencies (provided that the information is disclosed for the purpose of assisting the agency to formulate a credit rating and the agency's ratings generally are or will be publicly available).

When the Company discloses information in the “necessary course of business” it will ensure that those receiving such information understand that they cannot pass the information along to anyone else (other than in the necessary course of business), or trade on the information, until it has been generally disclosed.

### **Disclosure of Information at Conferences and on the Company Website**

The Company has implemented a strict policy that only information that has been generally disclosed (disclosed via Company press release) shall be used or spoken about at conferences and provided on the Company website.

### **Disclosure of Forecasts and Forward-Looking Information**

The Company has adopted a policy not to provide forecasts of financial performance (i.e. no forecasts on earnings per share, revenue, etc.). However, the Company's disclosure policy permits the disclosure of "forward-looking" statements, provided that such disclosure:

- (1) states that the information is "forward-looking";
- (2) contains a list of factors that could cause actual results to differ materially from the forward-looking statement; and
- (3) a description of the factors or assumptions that were used in making the "forward looking" statement.

### **Company's Response to Market Rumours**

The Company has adopted a no comment policy with respect to market rumours. The Company's policy is to have regular communications with the exchange and our regulators with respect to any material information that we are withholding and the reasons for withholding such information. The Company will diligently respond to any exchange or regulator inquiries, specifically in response to irregular activity with the Company's securities.

### **Unintentional Disclosure**

In the event that the Company makes an unintentional disclosure of material information, it will take immediate steps to ensure that a full public announcement is made. The Company will contact the exchange and request that the stock be halted pending the issuance of a press release. Pending the public release of the material information, the Company will advise those parties who have knowledge of the information that the information is material and that it has not been generally disclosed.

### **Insider Trading and Tipping**

Any person who has a special relationship with the Company, which would include all directors, officers, employees, persons engaging in professional or business activities for or on behalf of the Company and anyone who learns of material information from someone that the person knows or should know is a person in a special relationship with the Company, is prohibited from trading in the securities (including the exercise of any options) of the Company if they have knowledge of a material fact or material change about the Company that has not been generally disclosed. In addition, an appropriate amount of time should have elapsed after the material fact

or material change has been disclosed before those with a special relationship with the Company trade securities of the Company. The Company suggests that an appropriate amount of time would be **24-hours** from the time of general disclosure.

In addition, the Company has a policy where it will not issue options to anyone during a period where material information regarding the business and affairs of the Company exists, but has not been publicly disclosed.

All insiders will be provided with a copy of the Company's disclosure policy and will be required to submit an acknowledgement to the Company stating that they have read the policy and agree to comply with its terms.

### **General**

This policy applies to any person who has a special relationship with the Company, which would include all directors, officers, employees, persons engaging in professional or business activities for or on behalf of the Company and anyone who learns of material information from someone that the person knows or should know is a person in a special relationship with the Company, if they have knowledge of a material fact or material change about the Company that has not been generally disclosed.

Specifically, all insiders should be aware of these trade restrictions and in the event that the insider wishes to exercise options, the insider will be required to complete the form attached hereto as Schedule "A".

Mr. Peter Miles, the Company's Executive Vice President has been designated as the contact person should anyone have any questions regarding the Company's corporate disclosure policy.

### **Blackout Periods**

The Company will impose trading bans of any securities of the Company by insiders during "blackout periods". In the case of financial quarter ends, the blackout period will commence on the date that is 7 days after the financial quarter ends and will terminate on the date that is 2 days following the date that the financial results have been made publicly available. This blackout period will commence at least one month before the expected date of the release of the financial results. In the case of a financial year end, the blackout period will commence on the date that is 14 days after the financial year end and will terminate on the date that is 2 days following the date that the financial results have been made publicly available. This blackout period will commence at least two months before the expected date of the release of the financial results.

In rare circumstances, an insider can make application to have the blackout period waived. Application shall be made to the Company's Chief Executive Officer and the Corporate Governance Committee of the Board of Directors who will determine whether the blackout period will be waived. In circumstances where the waiver of the blackout period is sought by the Company's Chief Executive Officer, application shall be made to the Company's Chief Financial Officer and the Corporate Governance Committee. In circumstances where the waiver of the

blackout period is sought by a member of the Corporate Governance Committee, application shall be made to the Company's Chief Executive Officer and the Corporate Governance Committee (with the person seeking the waiver abstaining from making a decision). No person of Senior Management or the Board of Directors shall opine or vote on the appropriateness of an exception to the Blackout Period Policy if that person has benefited from or has the future possibility of benefiting from the decision.

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I hereby acknowledge receiving a copy of the Company's Corporate Disclosure Policy, including Schedule "A" (the "Policy"), and have read and understood the contents. Any questions relating to the Policy have been answered to my satisfaction by management. I agree to comply with the policies as set out therein.

SIGNATURE : \_\_\_\_\_

NAME : \_\_\_\_\_

DATE : \_\_\_\_\_

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**SCHEDULE "A"**

TO: SANATANA DIAMONDS INC. ("Sanatana" or the Company)

FROM: \_\_\_\_\_

**CERTIFICATE**

With regard to my request to exercise options issued to me pursuant to the Sanatana Diamonds Inc. Stock Option Plan (the "Plan"), I hereby certify as correct and acknowledge as follows:

1. I am aware that it is a serious offence in all jurisdictions where Sanatana's shares are distributed to engage in the trade or exchange of Sanatana's shares, taking advantage in whole or in part of insider information. The term insider information refers to any information which has not been publicly disclosed and the term insider may extend to spouses, partners or associates;
2. I acknowledge possession of such undisclosed information may preclude me from exercising options under the Plan until such information is publicly disclosed;
3. I acknowledge unauthorized disclosure of unpublished corporate information will result in termination of my contract in addition to other penalties which may be imposed under applicable securities laws; and
4. Since the last press release of Sanatana, which disclosed operational and financial results of the Corporation, I am not in possession of additional knowledge which may be classified as insider information.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_.

\_\_\_\_\_  
(Signature of Witness)

\_\_\_\_\_  
(Signature of Person  
Exercising Options)