Sarama Resources Ltd

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

(Expressed in United States Dollars)

INDEX

DIRECTORS

T. Sean Harvey (Non-executive Chairman)
Andrew Dinning (President and CEO)
L. Simon Jackson (Non-executive Director)
William S. Turner (Non-executive Director)

REGISTERED OFFICE

1600 Cathedral Place
925 West Georgia Street
Vancouver, BC, Canada
V6C 3L2

AUSTRALIAN BRANCH OFFICE

Unit 8, 245 Churchill Avenue
Subiaco Australia 6008
P: +61 8 9363 7600
F: +61 8 9382 4308

BURKINA FASO OFFICE

Sarama Mining Burkina SUARL
Quartier Ouaga 2000, secteur 15 Zone B,
Rue du Général Tiemoko Marc Garango,
13 B.P. 60 Ouagadougou 13,
Ouagadougou, République du Burkina Faso.
P: +226 50 37 40 70

MALI OFFICE

Sarama Mining Mali SARL
Baco-Djicoroni ACI,
Rue 577, 03 BP 81 Bamako 03,
Bamako, République du Mali.
P: +223 44 38 55 33

AUDITORS

PwC
QV1 Building
Levels 19-21
250 St. Georges Terrace
Perth, Australia 6000

LEGAL ADVISORS

Lawson Lundell LLP
1600 Cathedral Place
925 West Georgia Street
Vancouver, BC, Canada
V6C 3L2

WEBSITE

www.saramaresources.com

Expressed in United States Dollars

	Note	As at September 30 2011 $	As at December 31 2010 $
ASSETS			
Non-current assets			
Exploration and evaluation assets	3	2,938,368	319,071
Plant and equipment	4	368,457	91,157
Total non-current assets		3,306,825	410,228
Current assets			
Cash and cash equivalents		5,078,997	7,377,633
Receivables	5	567,786	86,830
Total current assets		5,646,783	7,464,463
Total Assets		8,953,608	7,874,691
EQUITY			
Share capital	6	10,834,960	8,246,280
Reserves		1,097,928	(4,953)
Deficit		(3,173,065)	(470,751)
Total equity		8,759,823	7,770,576
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		193,785	104,115
Total current liabilities		193,785	104,115
Total Equity and Liabilities		8,953,608	7,874,691

Refer to subsequent events in note 11.

These financial statements are authorised for issue by the Board of Directors on 25 November 2011.

They are signed on the Company's behalf by:

Andrew Dinning, Director

L. Simon Jackson, Director

The accompanying notes are an integral part of these financial statements.

Condensed Consolidated Statement of Loss and Comprehensive Loss
Expressed in United States Dollars
Unaudited

	Note	Three month period ended September 30, 2011 $	Three month period ended September 30, 2010 $	Nine month period ended September 30, 2011 $	Period from April 8, 2010 to September 30, 2010 $
Income					
Interest Income		19,151	3,020	52,126	3,020
		19,151	3,020	52,126	3,020
Expenses					
Accounting and audit		60,062	-	131,926	-
Consulting and management services		398,087	-	673,519	-
Office and administration		294,708	56,893	728,699	72,908
Depreciation		3,509	-	15,571	-
Share based payments		219,873	-	1,070,543	-
Foreign exchange loss		281,908	88	134,182	88
Total expenses		1,258,147	56,981	2,754,440	72,996
Loss for the period		1,238,996	53,961	2,702,314	69,976
Exchange differences on translation of foreign operations		(5,315)	-	32,338	-
Comprehensive loss for the period		1,233,691	53,961	2,734,652	69,976
Basic and diluted loss per common share	9	3.7c	2.6c	8.8c	6.5c

Expressed in United States Dollars

	Nine months Ended September 30, 2011 $	Period from April 8, 2010 to September 30, 2010 $
Cash flows used in operating activities		
Payments to suppliers and employees	(1,278,187)	(21,782)
Interest received	52,126	3,020
Net cash used in operating activities	(1,226,061)	(18,762)
Cash flows used in investing activities		
Purchase of plant and equipment	(292,871)	-
Payments for exploration and evaluation	(3,084,025)	(259,150)
Net cash used in investing activities	(3,376,896)	(259,150)
Cash flows from financing activities		
Common shares issued for cash	2,588,680	61
Proceeds from related parties	-	799,992
Net cash generated by financing activities	2,588,680	800,053
Net (decrease) increase in cash and cash equivalents	(2,014,277)	522,141
Net foreign exchange differences	(284,359)	(88)
Cash and cash equivalents at beginning of the period	7,377,633	-
Cash and cash equivalents at end of the period	5,078,997	522,053

The accompanying notes are an integral part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

Expressed in United States Dollars
Unaudited

	Capital stock $	Stock and Compensation Plans $	Reserves $	Accumulated Deficit $
Balance at April 8 , 2010	1	-	-	-
Share issues - private placements	1,005,083	-	-	-
Net loss for the period	-		-	(53,961)
Balance at September 30, 2010	1,005,084	-	-	(53,961)
Share issue – private placements	7,241,196	-	-	-
Net loss for the period	-	-	-	(416,790)
Exchange differences on translation of foreign operations	-	-	(4,953)	-
Balance at December 31, 2011	8,246,280	-	(4,953)	(470,751)
Share issues - private placements	2,648,320	-	-	-
Net loss for the period	-	-	-	(2,702,314)
Stock options granted	-	1,070,543	-	-
Exchange differences on translation of foreign operations	-		32,338	-
Share issue costs	(59,640)	-	-	-
Balance at September 30, 2011	10,834,960	1,070,543	27,385	(3,173,065)

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Sarama Resources Ltd (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on April 8, 2010.

Basis of Presentation

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian securities regulatory authorities. The Company have early adopted IFRS having received approval on October 4, 2011.

The accounting policies adopted are consistent with those applicable in the previous financial year.

The Company has changed the presentation of exploration and evaluation expenditure in the condensed consolidated cash flow statement. Payments for exploration and evaluation expenditure are now categorised as an investing activity, which is consistent with the Company's policy of capitalising exploration and evaluation expenditure.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in United States Dollars, in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". They do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the Company for the period ended December 31, 2010.

In the opinion of management, all adjustments considered necessary for a fair statement of results in accordance with IFRS have been included.

The board of directors of the Company approved these condensed consolidated interim financial statements on the November 25, 2011.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB("International Accounting Standards Board") or the IFRIC ("International Financial Reporting Interpretations Committee") that are mandatory for accounting periods after December 31, 2010 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded from the table below. The following have not been adopted and are being evaluated to determine their impact on the Company:

a) IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013;

b) IFRS 10 "Consolidated Financial Statements" – effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more of the entities;

c) IFRS 11 "Joint arrangements" ("IFRS 11") was issued by the IASB in May 2011 and will replace IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non Monetary Contributions by Venturers". IFRS 11 is effective for the annual period beginning on or after January 1, 2013;

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d) IFRS 12 "Disclosure of Interests in Other Entities" – requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows. The IFRS is effective January 1, 2013 with early adoption permitted; and

e) IFRS 13 "Fair Value Measurement" – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

3. EXPLORATION AND EVALUATION ASSETS

The schedule below summarises the carrying amounts of acquisition costs and all capitalised exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at September 30, 2011:

	December 31, 2010	**Additions 2011**	**September 30, 2011**
Burkina Faso			
Namare (a)			
Acquisition costs	31,972	50,604	82,576
Exploration expenditures	198,732	636,536	835,268
Bouni (b)			
Acquisition costs	4,388	-	4,388
Exploration expenditures	-	205,006	205,006
Tankoro (c)			
Acquisition costs	-	111,569	111,569
Exploration expenditures	-	459,425	459,425
Bamako (d)			
Acquisition costs	-	6,055	6,055
Exploration expenditures	-	16,895	16,895
Other			
Acquisition costs	4,388	86,844	91,232
Exploration expenditures	52,632	382,013	434,645
Total Burkina Faso	292,112	1,954,947	2,247,059
Mali			
Exploration expenditures	26,959	250,919	277,878
Liberia			
Acquisition costs (e)	-	125,000	125,000
Exploration expenditures	-	288,431	288,431
	319,071	2,619,297	2,938,368

a. Namare Property, Burkina Faso

On July 2, 2010, the Company entered an Option Agreement with Diallo Maliki whereby the Company will have the right to earn a 100% interest in this Property for consideration of $20,000 on execution of the agreement and meeting the first year annual expenditure commitments required by the Government of Burkina

Expressed in United States Dollars

Faso of $144,000. To maintain the Option Agreement payments of $20,000 are payable to Diallo Makili on the first, second and third anniversary of the contract execution, as well as meeting future ongoing annual expenditure commitments (of $127,000) required by the Government of Burkina Faso. The Namare project is subject to a 1.5% Net Smelter Return ("NSR") royalty.

b. Bouni Property, Burkina Faso

On October 16, 2010, the Company entered an Option Agreement with Zombré L. Francis whereby the Company will have the right to earn a 100% interest in this Property for consideration of $4,000 on execution of the agreement and meeting the first annual expenditure commitments required by the Government of Burkina Faso of $140,000. To maintain the Option Agreement payments of $8,000 are payable to Zombré L. Francis on the first, second and third anniversary of the contract execution, as well as meeting future ongoing annual expenditure commitments (of $112,000) required by the Government of Burkina Faso. The Bouni project is subject to a 1% NSR royalty and the Company has an option to acquire the NSR for $1 million.

c. Tankoro Property, Burkina Faso

On January 18, 2011, the Company entered an Option Agreement with Birba Ousmane whereby the Company will have the right to earn a 100% interest in the Property for consideration of $40,000 on execution of the agreement and meeting the first annual expenditure commitments required by the Government of Burkina Faso of $140,000. To maintain the Option Agreement payments of $60,000 are payable to Birba Ousmane on the sixth month, first, second and third year anniversary of the contract execution, as well as meeting future ongoing annual expenditure commitments (of $112,000) required by the Government of Burkina Faso. The Tankoro project is subject to a 1.5% NSR royalty and the Company has an option to acquire the NSR for $1 million.

d. Bamako Property, Burkina Faso

On February 3, 2011, the Company entered an Option Agreement with Pafadnam Saïdou whereby the Company will have the right to earn a 100% interest in the Property for consideration of $2,000 on execution of the agreement and meeting the first annual expenditure commitments required by the Government of Burkina Faso of $109,000. To maintain the Option Agreement payments of $10,000 are payable to Pafadnam Saïdou on the first, second and third year anniversary of the contract execution, as well as meeting ongoing annual expenditure commitments (of $67,000) required by the Government of Burkina Faso. The Bamako project is subject to a 1.5% NSR royalty and the Company has an option to acquire the NSR for $1 million.

e. Liberian Farm-in Agreement

On May 30, 2011, the Company entered into a farm-in agreement with Norwegian Company Pedra AS to incrementally acquire an equity interest in its Liberian subsidiary Pedsam Mining Liberia sarl, the holder of the following exploration licences within Liberia - Cape Mount – MEL 11055 (199.2 km^2), Gbarpolu – MEL 11024 (400 km^2), Grand Bassa – MEL 11032 (603.5 km^2). A payment of $100,000 was paid on execution of this agreement.

As at 30 September 2011, the Company's equity interest was 0% (2010: 0%).

4. PLANT AND EQUIPMENT

	Plant and equipment $
At December 31, 2010	
Cost	92,294
Accumulated depreciation	(1,137)
Net book amount	91,157

Movement for the nine month period

Expressed in United States Dollars

Opening net book amount	91,157
Additions	294,008
Depreciation	(15,571)
Closing net book amount	368,457
At September 30, 2011	
Cost	385,165
Accumulated depreciation	(16,708)
Net book amount	368,457

5. RECEIVABLES

The Company entered into an arrangement with PPI Burkina SARL, a Burkina Faso-based drilling company, during the period. One of the terms of this arrangement was that the Company would provide a deposit of US$500,000 to assist with the procurement of a drilling rig. This payment was made on September 29, 2011. This payment will be offset against invoices for work completed as drilling activities are undertaken.

This payment has been recognised as a prepayment and, for the purposes of these financial statements, classified as a receivable.

6. SHARE CAPITAL

(a) Authorised Share Capital

At September 30, 2011, the authorised share capital comprised an unlimited number of common shares without par value.

(b) Issued Share Capital

	Capital Stock		**Stock and compensation plans**	
	Number	**$**	**Number**	**$**
Balance, April 8, 2010	1	1	-	-
Shares issued to the founders of the Company (note 6(b)(i))	6,525,000	60	-	-
Balance, September 30, 2010	6,525,001	61	-	-
Shares issued to the founders of the Company (note 6(b)(ii))	8,475,000	1,005,023	-	-
Shares issued via a private placement (note 6(b)(iii))	14,774,600	7,241,196	-	-
Balance, December 31, 2010	29,774,601	8,246,280	-	-
Stock options granted (note 6(c))	-	-	2,475,000	850,670
Shares issued via a private placement (note 6(b)(iv))	3,200,000	2,648,320	-	-
Stock options	-	-	450,000	219,873

Expressed in United States Dollars

granted (note 6(c))				
Share issue costs	-	(59,640)		
Balance, September 30, 2011	32,974,601	10,834,960	2,925,000	1,070,543

Details of private placement issues of common shares

(i) On September 1, 2010, the Company issued 6,525,000 common shares at a price of $0.00001 per share, for proceeds of $61.
(ii) On October 4, 2010, the Company issued 8,475,000 common shares at an average price of $0.119 per share, for proceeds of $1,005,023.
(iii) On December 2, 2010, the Company completed a non-brokered private placement, issuing 14,774,600 common shares at an average price of $0.49 (CAD$0.50), for proceeds of $7,241,196 (there were three tranche issues of 12,259,000 common shares on October 28, 2010, 1,215,600 common shares on November 9, 2010 and 1,300,000 common shares on December 2, 2010).
(iv) On July 4, 2011, the Company completed a non-brokered private placement, issuing 3,200,000 common shares at a price of $0.8275 per share (CAD$0.80), for proceeds of $2.648 million (CAD$2.56 million).

(c) Company stock option plan

The Company has a fixed stock option plan that provides for the issuance of up to 10% of the issued and outstanding shares of the Company. The board of directors is authorised to set the exercise price, expiry date, and vesting provisions for each grant, subject to the policies of the TSX Venture Exchange. The plan provides for a maximum grant period of five years.

The Company's stock options currently on issue vested as at grant date.

Details are as follows:

Grant Date	**No.**	**Exercise Price**	**Expiry Date**
		$	
December 31, 2010 (Opening)	-	-	-
May 12, 2011 (vested)	2,475,000	0.75	May 12, 2016
July 28,2011 (vested)	450,000	1.00	July 28, 2016
September 30, 2011 (Closing)	2,925,000		

No options have been exercised in the quarter ended September 30, 2011.

(d) Stock-Based Compensation

For the quarter ended September 30, 2011, the Company granted stock options to its directors, officers, employees and consultants and estimated the stock based compensation as follows:

	September 30, 2011	**September 30, 2010**
Total options granted	450,000	-
Exercise price	$1.00	-
Estimated fair value of compensation (i)	$219,873	-
Estimated fair value per option	46.3c	-

(i) The fair value of the stock-based compensation recognised in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following assumptions:

	September 30, 2011	**September 30, 2010**
Risk-free interest rate	1.5%	-

Expressed in United States Dollars

Expected dividend yield	0.00%	-
Expected stock price volatility	110%	-
Expected option life in years	2.5 years	-

7. RELATED PARTY TRANSACTIONS

	Three months		Nine months	Period from
	September 30, 2011	September 30, 2010	ended September 30, 2011	April 8, 2010 to September 30, 2010
Amount paid for consulting services to a firm which the current Chief Financial Officer "("CFO") is a Principal (i)	53,776	-	53,776	-

(i) This services arrangement ended July 31, 2011 when the CFO became a full time employee of the Company.

The above transactions were carried on in the normal course of operations and were measured at the exchange amount, which is the amount of consideration agreed upon between the Company and the related party.

8. SEGMENT REPORTING

Description of the segment

The Company considers that it has operated only in one segment, being minerals exploration and evaluation in West Africa.

9. BASIC AND DILUTED LOSS PER SHARE

	Three months ended		Nine months	For the
	September 30, 2011	September 30, 2010	ended September 30, 2011	period from April 8, 2010 to September 30, 2010
Loss used in calculating basic/diluted loss per share	1,238,996	53,961	2,702,314	69,976
Weighted average number of shares on issue used in the calculation of basic loss per share (No.)	32,974,601	2,056,794	30,817,824	1,075,143
Basic and diluted loss per share	3.7c	2.6c	8.8c	6.5c

Diluted loss per share is the same as basic loss per share as it cannot result in a more favourable position.

Expressed in United States Dollars

10. COMMITMENTS AND CONTINGENCIES

The Company has the following commitments relating to its office lease and office equipment:

	$
2011	14,520
2012	58,080
2013	55,224
2014	17,456
Total	145,280

On September 21, 2011, the Company entered into an agreement with PPI Burkina SARL for the provision of drilling services. As part of this agreement, the Company has committed to USD $2,000,000 of drilling services from PPI. The services are to be provided in accordance with the drilling requirements of the Company and there is no fixed period in which the services must be provided.

The Company has no contingencies (2010: Nil).

11. EVENTS SUBSEQUENT TO BALANCE DATE

Initial Public Offering

On November 3, 2011, the Company filed its final prospectus. The Company issued 18,538,711 units comprising of 1 common share and ½ a warrant at a price of $0.89 per unit (CAD $0.90) for gross proceeds of $16,476,279 (CAD $16,684,840). The warrants have an exercise price of CAD $1.20 and can be exercised up to November 2, 2013.

Both the common shares and warrants commenced trading on the TSX Venture exchange on November 3, 2011.

As part of the consideration for provision of services, the Agents to the share issue received 973,656 warrants. The warrants have an exercise price of CAD $0.90 and can be exercised up to November 2, 2013. These warrants are non-transferable.