Sarama Resources Ltd

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012

(Expressed in United States Dollars)

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

Suite 2200, HSBC Building
885 West Georgia Street
Vancouver BC, Canada, V6C 3E8

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

MALI OFFICE

Sarama Mining Mali SARL
Baco-Djicoroni ACI,
Rue 577, 03 BP 81 Bamako 03,
Bamako, République du Mali

LIBERIA OFFICE

Sarama Mining Liberia Ltd
12th Street, Sinkor, Payne Avenue
Monrovia, Liberia

LEGAL ADVISORS

Cassels Brock & Blackwell LLP
Suite 2200, HSBC Building
885 West Georgia Street
Vancouver BC, Canada, V6C 3E8

AUDITORS

PricewaterhouseCoopers
Brookfield Place
Level 15
125 St Georges Terrace
Perth, Australia 6000

WEBSITE

www.saramaresources.com

SHARE REGISTRY

Equity Financial Trust Company
505 – 3rd Street SW, Suite 850
Calgary, AB, Canada
T2P 3E6

TSX.V CODE

SWA

pwc

April 30, 2013

Independent Auditor's Report

To the Shareholders of
Sarama Resources Limited

We have audited the accompanying consolidated financial statements of Sarama Resources Limited and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flow, for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sarama Resources Limited and its subsidiaries as at December 31, 2012 and December 31, 2011 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Perth, Western Australia

Expressed in United States Dollars

	Note	As at December 31, 2012 $	As at December 31, 2011 $
ASSETS			
Current assets			
Cash and cash equivalents		14,728,740	17,091,005
Security deposits		138,298	-
Accounts receivables		73,129	72,871
Prepayments		366,440	561,665
Total current assets		15,306,607	17,725,541
Non-current assets			
Exploration and evaluation assets	3	16,409,966	5,298,529
Plant and equipment	4	723,379	543,163
Total non-current assets		17,133,345	5,841,692
Total assets		32,439,952	23,567,233
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	343,648	401,588
Financial liabilities	5(e)	4,224,438	1,087,727
Total current liabilities		4,568,086	1,489,315
Total non-current liabilities		-	-
Total liabilities		4,568,086	1,489,315
EQUITY			
Share capital	5	35,493,423	22,979,644
Stock-based compensation reserve	5(d)	1,590,634	1,070,543
Foreign currency translation reserve		143,496	(2,713)
Retained deficit		(9,355,687)	(1,969,556)
Total equity		27,871,866	22,077,918
Total liabilities and equity		32,439,952	23,567,233

These financial statements are authorised for issue by the Board of Directors on 30 April 2013.

They are signed on the Company's behalf by:

(Signed) *"Andrew Dinning"* Andrew Dinning, Director

(Signed) *"L. Simon Jackson"* L. Simon Jackson, Director

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

Consolidated Statement of Loss and Comprehensive Loss

Expressed in United States Dollars

	Note	Year ended December 31, 2012 $	Year ended December 31, 2011 $
Income			
Interest income		67,455	68,608
Fair value gain on warrants carried at fair value through profit and loss	5(e)	-	1,885,044
Foreign exchange gain		173,516	-
		240,971	1,953,652
Expenses			
Accounting and audit		75,101	225,302
Stock-based compensation	5(d)	520,091	1,070,543
Salaries		1,087,119	674,356
Professional fees		247,612	327,196
Office and general		463,091	193,133
Travel		180,378	299,719
IPO/Raising costs		283,311	444,385
Depreciation		23,016	11,841
Directors fees		168,517	-
Foreign exchange loss		-	176,349
Insurance		34,393	29,633
Exploration expenditure written off	3(d)	1,407,762	-
Fair value loss on warrants carried at fair value through profit and loss	5(e)	3,136,711	-
Total expenses		7,627,102	3,452,457
Loss before income tax		(7,386,131)	(1,498,805)
Income tax expense	8	-	-
Loss for the period		(7,386,131)	(1,498,805)
Exchange gain/(loss) on translation of foreign operations		146,209	2,240
Comprehensive loss for the period		(7,239,922)	(1,496,565)
Basic and diluted loss per share	13	(13.6 cents)	(4.4 cents)

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

Expressed in United States Dollars

	Note	Year ended December 31, 2012	Year ended December 31, 2011
		$	$
Cash flows used in operating activities			
Payments to suppliers and employees		(2,651,975)	(1,919,572)
Interest received		67,455	68,608
Net cash used in operating activities	14	(2,584,520)	(1,850,964)
Cash flows used in investing activities			
Purchase of plant and equipment		(180,217)	(549,765)
Security deposits paid		(138,298)	-
Payments for exploration and evaluation		(12,269,719)	(5,541,123)
Net cash used in investing activities		(12,588,234)	(6,090,888)
Cash flows from financing activities			
Common shares issued for cash		10,472,877	16,151,828
Warrants issued		2,802,601	2,972,771
Payment of share issue costs		(761,699)	(1,418,464)
Net cash generated by financing activities		12,513,779	17,706,135
Net increase in cash and cash equivalents		(2,658,975)	9,764,283
Cash and cash equivalents at beginning of the period		17,091,005	7,377,633
Net foreign exchange differences		296,710	(50,911)
Cash and cash equivalents at end of the period		14,728,740	17,091,005

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

Expressed in United States Dollars

	Number of Common Shares	Share Capital (note 5) $	Stock-based Compensation Reserve $	Foreign Currency Translation Reserve $	Retained Deficit $	Total $
Balance at January 1, 2011	**29,774,601**	**8,246,280**	**-**	**(4,953)**	**(470,751)**	**7,770,576**
Loss attributed to members of the parent entity	-	-	-	-	(1,498,805)	(1,498,805)
Exchange differences on translation of foreign operations	-	-	-	2,240	-	2,240
Total comprehensive loss for the year ended December 31, 2011	**-**	**-**	**-**	**2,240**	**(1,498,805)**	**(1,496,565)**
Stock options granted	-	-	1,070,543	-	-	1,070,543
Share issue costs	-	(1,418,464)	-	-	-	(1,418,464)
Share issues (IPO, private placements)	21,738,711	16,151,828	-	-	-	16,151,828
Balance at December 31, 2011	**51,513,312**	**22,979,644**	**1,070,543**	**(2,713)**	**(1,969,556)**	**22,077,918**
Loss attributed to members of the parent entity	-	-	-	-	(7,386,131)	(7,386,131)
Exchange differences on translation of foreign operations	-	-	-	146,209	-	146,209
Total comprehensive loss for the year ended December 31, 2012	**-**	**-**	**-**	**146,209**	**(7,386,131)**	**(7,239,922)**
Share issues	14,505,390	13,275,478	-	-	-	13,275,478
Stock – based compensation	-	-	520,091	-	-	520,091
Share issue costs	-	(761,699)	-	-	-	(761,699)
Balance at December 31, 2012	**66,018,702**	**35,493,423**	**1,590,634**	**143,496**	**(9,355,687)**	**27,871,866**

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.

Business Activities
The consolidated entity, consisting of Sarama Resources Ltd and its subsidiaries (the "Group") is in the exploration stage and its principal business activity is the sourcing and exploration of mineral properties. As at December 31, 2012, the Group is in the process of exploring its principal mineral properties and has not yet determined whether the properties contain gold reserves that are economically recoverable.

Financial Results
The Group incurred a loss of $7,386,131 (2011: $1,498,805) for the year ended December 31, 2012 which has been funded primarily by the issuance of equity. In addition, the Group had working capital of $14,762,960 (2011: $17,323,953) at December 31, 2012. Working capital is defined as current assets less current liabilities and does not include financial liabilities carried at fair value. Working capital provides a measure of the Group's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied to all years presented within the financial statements unless otherwise stated.

Basis of Presentation

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

a) Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Group as at December 31, 2012 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, being a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the Group's companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Groups entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States dollars ("USD"), which is Sarama Resources Ltd's functional and presentation currency.

(ii) Transactions and Balances

Monetary assets and liabilities of the Group are translated into USD at the exchange rate in effect on the statement of financial position date while non-monetary assets and liabilities, revenues and expenses are translated using exchange rates in effect at the time of each transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Loss and Comprehensive Loss.

All foreign exchange gains and losses which are presented in the Statement of Loss and Comprehensive Loss are on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair-value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the Statement of Loss and Comprehensive Loss as part of the fair-value gain or loss. Translation differences on non-monetary assets such as equities are classified as available-for-sale financial assets and are recognised in other comprehensive income.

(iii) Group Companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of comprehensive loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

c) Financial Instruments

Cash and cash equivalents are classified as current assets and include short-term, highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Group places the majority of its cash holdings with Australian financial institutions with high credit ratings.

Non-derivative financial assets and liabilities

The Group has the following non-derivative financial assets and liabilities:

a. Receivables
Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value, less any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses.

b. Amounts payable and other accrued liabilities
Such financial liabilities are recognised initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method if significant.

d) Exploration and Exploration Assets

All of the Group's projects are in the exploration stage. The Group capitalises all costs related to the acquisition, exploration and development of mineral properties until such time as a mineral property is put into commercial production, is sold or becomes impaired as allowed under IFRS 6 "Exploration for and Evaluation of Mineral Resources".

Mineral property acquisition costs and exploration costs are capitalised and include directly attributable administration and support costs. The recoverability of amounts shown as mineral property acquisition costs and deferred exploration costs is dependent upon a number of factors including the discovery of economically recoverable mineral deposits on the properties, the ability of the Group to obtain the financing necessary to develop the properties, the ability of the Group to obtain the permits and approvals necessary to develop the properties, and future profitable production from the properties, or their disposition for proceeds in excess of their carrying amounts.

Depending on the stage of exploration of a mineral property and whether the Group has completed any economic feasibility work, it may be difficult to estimate future cash flows reliably. Where reliable estimates of future cash flows are not available, management assesses whether the carrying amount can be recovered based on quantifiable geological resources, empirical evidence such as geochemical analyses, drilling results, assays, mapping and field observations in relation to factors such as commodity markets, equity markets, exchange rates, political risk and proximity to other known operations, management's plans to continue to explore the property, or the Group's assessment of its ability to sell the property for an amount greater than the carrying amount.

An impairment is also recorded when management determines that it will discontinue exploration or evaluation on a property or when exploration rights or permits expire and are not replaced with a new permit covering the same or substantially the same area of interest.

The development stage begins once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalised. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalised and will be amortised on the unit-of-production method based upon estimated proven and probable reserves once production commences.

e) Impairment

At the end of each reporting period, the carrying amounts of the Group's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value-of-money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised in the Statement of Loss and Comprehensive Loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Loss and Comprehensive Loss.

f) Plant and Equipment

The cost of all plant and equipment is stated at historical cost less depreciation and impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Assets are depreciated over their estimated useful service lives using the straight-line method at the following annual rates:

Office equipment	4 years
Plant and equipment	3 years
Motor vehicles	4 years

Depreciation expense relating to plant and equipment in Burkina Faso, Mali and Liberia is capitalised and forms part of the exploration and evaluation assets. Depreciation expense for plant and equipment in Australia is recognised as an expense through the Statement of Loss and Comprehensive Loss.

g) Stock-based Compensation

The fair value of share purchase options granted is recognised as an employee or consultant expense with a corresponding increase in equity. The fair value of share purchase options granted is determined by the Black-Schöles option pricing model using estimates for the volatility of the trading price of the Company's stock, the expected lives of share purchase options awarded, the fair value of the Company's shares and the risk-free interest rate.

For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date on which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The estimated fair value of awards of share purchase options is charged to expense over the vesting period, with offsetting amounts to equity. If the share purchase options are granted for past services, they are expensed immediately. If the share purchase options are forfeited prior to vesting, no amounts are charged to expense. If share purchase options are exercised, then the fair value of the options is re-classed from stock-based compensation reserve to share capital.

At each reporting date, the amount recognised as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest. The corresponding entry is recognised in the stock-based compensation reserve.

h) Basic and Diluted Loss per Share

The Group presents basic and diluted loss-per-share-data for its common shares, calculated by dividing the loss attributable to common shareholders of the Group by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

i) Share Warrants

In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Group's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value through the Statement of Loss and Comprehensive Loss in accordance with the requirements of IAS 32 Financial Instruments: Presentation. The financial liability will be accounted for at fair value through the Statement of Loss and Comprehensive Loss until such time that the warrants are exercised, at which point the liability will be transferred to equity.

j) Income Taxes

Income tax on the profit or loss for the period presented comprises current and deferred tax. Income tax is recognised in the Statement of Loss and Comprehensive Loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realisation or settlement.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

k) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

l) Critical Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Information about significant areas of estimation uncertainty considered by management in preparing the financial statements is described below.

The Group capitalises its exploration and evaluation expenditure. The recoverability of these amounts is dependent upon a number of factors including the discovery of economically recoverable mineral deposits on the properties, the ability of the Group to obtain the financing necessary to develop the properties, the ability of the Group to obtain the permits and approvals necessary to develop the properties, and future profitable production from the properties, or their disposition for proceeds in excess of their carrying amounts.

The Group determines the fair value of both warrants and options classified as liabilities at fair value through the Statement of Loss and Comprehensive Loss using the Black-Schöles Model. Note 5 provides detailed information about the key assumptions used in the determination of the fair value of warrants.

Accounting Standards, Interpretations and Amendments to Existing Standards That Are Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2012. Many are not applicable or do not have a significant impact to the Group and have been excluded from the list below. The following have not been adopted and are being evaluated to determine their impact on the Group:

i) IFRS 9 “Financial Instruments” (“IFRS 9”) which was issued by the IASB in October 2010 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, 2015;

Expressed in United States Dollars

ii) IFRS 10 "Consolidated Financial Statements" – which is 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;

iii) IFRS 11 "Joint arrangements" ("IFRS 11") which was issued by the IASB in May 2011 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;

iv) IFRS 12 "Disclosure of Interests in Other Entities" – which 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. IFRS 12 is effective January 1, 2013 with early adoption permitted; and

v) IFRS 13 "Fair Value Measurement" – which is 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 Group is continuing to explore as at December 31, 2012:

	December 31, 2011	**Additions 2012**	**December 31, 2012**
	$	**$**	$
Burkina Faso			
Serakoro 1 (b)			
Acquisition costs	125,578	-	125,578
Exploration expenditure	-	534,119	534,119
Tankoro (a)			
Acquisition costs	182,132	40,190	222,322
Exploration expenditure	881,523	8,184,105	9,065,628
Other			
Acquisition costs	246,131	39,848	285,979
Exploration expenditure	1,785,643	1,004,241	2,789,884
Total Burkina Faso	**3,221,007**	**9,802,503**	**13,023,510**
Mali			
Acquisition costs	34,460	39,401	73,861
Exploration expenditure	1,175,636	526,584	1,702,220
Exploration costs written off (d)	-	(1,407,762)	(1,407,762)
Total Mali	**1,210,096**	**(841,777)**	**368,319**
Liberia			
Pedsam (c)			
Acquisition costs	279,437	-	279,437
Exploration expenditure	556,219	2,036,296	2,592,515
Other			
Acquisition costs	30,000	-	30,000
Exploration expenditure	1,770	114,415	116,185
Total Liberia	**867,426**	**2,150,711**	**3,018,137**
Total	**5,298,529**	**11,111,437**	**16,409,966**

Expressed in United States Dollars

a. Tankoro Permit, Burkina Faso

On January 18, 2011, the Group entered an Option Agreement with Birba Ousmane whereby the Group 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 of $140,000 required by the Government of Burkina Faso. 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% Net Smelter Return ("NSR") royalty which the Group has an option to acquire for $1,000,000.

b. Serakoro 1 Permit, Burkina Faso

On November 26, 2011, the Group entered an Option Agreement with SA.BI.MA SARL whereby the Group will have the right to earn a 95% interest in the property for consideration of $125,000 on execution of the agreement and Option Agreement payments of $150,000 payable to SA.BI.MA SARL on the following anniversaries; year one, year two and year three of the contract execution. The Group has the right to acquire a further 3% interest (for a total interest of 98%) by making a payment of $3,000,000 to SA.BI.MA SARL who will retain a 2% free-carried interest. SA.BI.MA SARL is not entitled to any royalties in respect of the Option Agreement.

The Group is responsible for ongoing annual expenditure commitments of $131,361 required by the Government of Burkina Faso.

c. Liberian Earn-in Agreement

On May 30, 2011, the Group entered into an earn-in agreement with a Norwegian Company Pedra to incrementally acquire an equity interest in its Liberian subsidiary Pedsam Mining Ltd ("Pedsam"), 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). An amount of $100,000 was paid on execution of this agreement to the vendor.

As at December 31, 2012, the Group's equity interest was 65% (2011: 0%).

d. Ouronia Permit Write Off

Following the assessment of exploration results, ongoing holding costs and market for early stage exploration permits in south east Mali, the Group decided to terminate the option agreement with the vendor who holds the licence for the Ourounia permit. In accordance with the Group's accounting policies, all costs including exploration and related administration expenditure totalling $1,407,762 which were being carried forward with respect to the Ourounia licence were written off to the Statement of Loss and Comprehensive Loss.

4. PLANT AND EQUIPMENT

	December 31, 2012			
	Plant and Equipment	**Motor Vehicles**	**Office Equipment**	**Total**
	$	**$**	**$**	**$**
Opening Net Book Value	115,911	282,822	144,430	543,163
Additions	87,694	73,266	103,825	264,785
Depreciation	(4,188)	(48,032)	(32,349)	(84,569)
Closing Net Book Value	**199,417**	**308,056**	**215,906**	**723,379**
Opening Cost	208,136	413,960	284,757	906,853
Accumulated Depreciation	(8,719)	(105,904)	(68,851)	(183,474)
Closing Net Book Value	**199,417**	**308,056**	**215,906**	**723,379**

Expressed in United States Dollars

	December 31, 2011			
	Plant and Equipment	**Motor Vehicles**	**Office Equipment**	**Total**
	$	**$**	**$**	**$**
Opening Net Book Value	5,876	28,876	56,405	91,157
Additions	114,566	311,818	123,390	549,774
Depreciation	(4,531)	(57,872)	(35,365)	(97,768)
Closing Net Book Value	**115,911**	**282,822**	**144,430**	**543,163**
Opening Cost	120,442	340,694	180,932	642,068
Accumulated Depreciation	(4,531)	(57,872)	(36,502)	(98,905)
Closing Net Book Value	**115,911**	**282,822**	**144,430**	**543,163**

5. SHARE CAPITAL

(a) Authorised Share Capital

At December 31, 2012, the authorised share capital comprised an unlimited number of common shares without par value.

(b) Issued Share Capital

	Capital Stock	
	Number	**$**
Balance, 1 January, 2011	**29,774,601**	**8,246,280**
Shares issued via a private placement (note 5(b)(i))	3,200,000	2,648,320
Share issue costs	-	(1,418,464)
Shares issued pursuant to prospectus financing (note 5(b)(ii))	18,538,711	13,503,508
Balance, December 31, 2011	**51,513,312**	**22,979,644**
Share issue costs	-	(761,699)
Shares issued pursuant to prospectus financing (note 5(b)(iii)(iv))	13,949,834	12,775,478
Shares issued via private placement (note 5(b)(v)	555,556	500,000
Balance, December 31, 2012	**66,018,702**	**35,493,423**

Details of issues of common shares

(i) On July 4, 2011, the Group completed a non-brokered private placement, issuing 3,200,000 common shares at a price of CAD$0.80 per share for proceeds of CAD$2,560,000.

(ii) On November 2, 2011, the Group completed an initial Public Offering. The Group issued 18,538,711 units comprising of 1 common share and one-half of one common share warrant at a price of CAD$0.90 per unit for gross proceeds of CAD$16,684,840. The warrants have an exercise price of CAD$1.20 and can be exercised up to November 2, 2013. Warrants have been classed as a financial liability and were valued at $2,972,771. 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.

(iii) On October 16, 2012 the Group completed its bought deal offering raising gross proceeds of CAD$12,000,000. A syndicate of underwriters purchased 13,333,334 units at a purchase price of CAD$0.90 per unit. Each unit consists of one common share of the Group and one-half of one common share purchase warrant of the Group. Each warrant entitles the holder to purchase one common share of Sarama at a price of CAD$1.20 on the date that is two years after closing. The warrants have been classified as a financial liability and valued at $2,181,516 at issue date.

Expressed in United States Dollars

(iv) On November 14, 2012 the Group completed the sale of 616,500 common shares and 1,000,000 Common Share purchase warrants, for gross aggregate proceeds to the Group of CAD$617,050, pursuant to the exercise of the over-allotment option granted to a syndicate of underwriters in connection with the Group's bought deal offering of 13,333,334 units which was completed on October 16, 2012. Each warrant entitles the holder to purchase one common share at a price of CAD$1.20 any time prior to October 16, 2014. The warrants have been classified as a financial liability and valued at $354,391 at issue date.

(v) On November 15, 2012 the Group closed the private placement of 555,556 units at a price of CAD$0.90 per unit for gross proceeds of CAD$500,755. Each unit is comprised of one common share of the Group and one-half of one Common Share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of CAD$1.20 at any time prior to October 16, 2014. The warrants have been classified as a financial liability and valued at $98,932 at issue date.

(c) Group Stock Option Plan

The Group has a stock option plan (the "Plan") that provides for the issuance of up to 10% of the issued and outstanding shares of the Group. 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. Options can be exercised at any time prior to their expiry date.

Details are as follows:

Grant Date	**No.**	**Exercise Price $**	**Expiry Date**
May 12, 2011 (vested)	2,475,000	0.75	May 12, 2016
July 28, 2011 (vested)	450,000	1.00	July 28, 2016
February 20, 2012	1,125,000	1.00	February 17, 2017
	4,050,000		

No options have been exercised in the year ended December 31, 2012.

On February 20, 2012, the Group granted 1,125,000 options to directors, executive officers, management and a consultant in accordance with the Group's Plan. The option's vesting conditions for these options were that 50% vest immediately and 50% vest 12 months from the date of grant. The options have a term of 5 years and are exercisable at a price of $1.00 per share.

(d) Stock-Based Compensation

For the year ended December 31, 2012, the Group granted stock options to its directors, officers, employees and consultants and estimated the stock based compensation as follows:

	February 20, 2012
Total options granted	1,125,000
Exercise price	$1.00
Estimated fair value of compensation recognised (i)	$520,091
Balance to be recognised over remaining vesting period	$38,195
Estimated fair value per option	46.2c

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

	February 20, 2012
Risk-free interest rate	1.14%
Expected dividend yield	0%
Expected stock price volatility	95%
Expected option life in years	2.5 - 3 years

Expressed in United States Dollars

(e) Warrants

The Group issued warrants as part of the common share issues on November 2, 2011, October 18, 2012, November 14, 2012 and November 15, 2012. Changes in the fair value of these warrants since listing are as follows:

	$
Fair value at December 31, 2011	1,087,727
Fair value of warrants issued October 16, 2012	2,181,516
Fair value of warrants issued November 14, 2012	354,393
Fair value of warrants issued November 15, 2012	98,932
Fair value loss on warrants carried at fair value through profit and loss revalued at December 31, 2012	501,870
Fair value at December 31, 2012	4,224,438

Warrant issue	Total Warrants Issued	Exercise Price	Estimated fair value of warrants (i)	Estimated fair value per warrant
Shareholder Warrants issued November 2, 2011	9,269,355	CAD$1.20	$1,595,187	$0.17
Broker Warrants issued November 2, 2011	973,656	CAD$0.90	$235,155	$0.24
Shareholder Warrants issued October 16, 2012	6,666,667	CAD$1.20	$2,009,039	$0.30
Shareholder Warrants issued November 14, 2012	1,000,000	CAD$1.20	$300,755	$0.30
Shareholder Warrants issued November 15, 2012	277,778	CAD$1.20	$84,302	$0.30
Total	**18,187,456**		**$4,224,438**	

(i) The fair value of the warrants recognised in the financial statements has been estimated using the Black-Schöles Option-Pricing Model at inception with the following assumptions:

Warrant issue	Risk – free interest rate	Expected dividend yield	Expected stock price volatility	Expected warrant life in years
Shareholder Warrants issued November 2, 2011	1.14%	0%	95%	0 years and 10 months
Broker Warrants issued November 2, 2011	1.14%	0%	95%	0 years and 10 months
Shareholder Warrants issued October 16, 2012	1.14%	0%	95%	1 year and 10 months
Shareholder Warrants issued November 14, 2012	1.14%	0%	95%	1 year and 11 months
Shareholder Warrants issued November 15, 2012	1.14%	0%	95%	1 year and 11 months

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012 $	December 31,2011 $
Falling due within the year		
Trade creditors and accruals	343,648	401,588
	343,648	401,588

7. RELATED PARTY TRANSACTIONS

	Year ended December 31, 2012	Year ended December 31, 2011
Amount paid for consulting services to a firm which the current Chief Financial Officer (“CFO”) is a Principal (i)	-	53,776

Expressed in United States Dollars

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

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

8. INCOME TAXES

A reconciliation of the income tax at statutory rates is as follows:	**December 31, 2012**	**December 31, 2011**
Loss for the period before income tax	(7,386,131)	(1,498,805)
"Prima facie" income tax expense at 28.5% (2011: 28.5)	(2,105,047)	(427,159)
Tax effect of permanent differences:		
Stock – based payments	148,226	305,105
Foreign exchange (gains) / losses	(53,045)	99,437
Revaluation of warrant liability	893,963	(537,238)
Tax deductions for capital raising costs in Equity	(117,098)	(73,681)
Other	5,653	(2,677)
Adjustment in respect of global tax rate differences	(20,982)	(24,731)
Deferred tax assets not brought to account	1,248,330	660,944
Income tax expense/(benefit)	**-**	**-**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	December 31, 2012	**December 31, 2011**
	$	$
Deferred tax liabilities:	-	-
Deferred tax assets		
Tax losses	1,911,039	699,955
Capital raising costs expensed	140,585	101,319
	2,051,624	801,274
Deferred tax assets not recognised	(2,051,624)	(801,274)
Deferred tax assets recognised at 31 December	-	-

Unrecognised deferred tax assets

	December 31, 2012	**December 31, 2011**
Deferred tax assets have not been recognised in respect of the following items:	$	$
Tax losses - Canada	913,542	136,014
Tax losses - Liberia	11,811	6,852
Tax losses - Burkina Faso	620,888	328,693
Tax losses - Mali	364,798	228,396
Capital raising costs expensed	140,585	101,319
	2,051,624	801,274

The realisation of income tax benefits related to these potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax assets have been recognised for accounting purposes.

9. FINANCIAL INSTRUMENTS

The Group is exposed to financial risks through the normal course of its business operations. The key risks impacting the Group's financial instruments are considered to be foreign currency risk, interest rate risk, liquidity risk, credit risk and equity price risk. The Group's financial instruments exposed to these risks are cash and short-term deposits, receivables, trade payables and investments in foreign operations.

The executive management team monitors the financial instrument risk to which it is exposed and assesses the impact and likelihood of those risks on an ongoing basis. Where material, these risks are reported and reviewed by the board of directors.

(a) Fair Values

The fair value of the Group's financial instruments approximates their carrying values due to the immediate or short-term maturity of these financial instruments. The Group's financial assets and liabilities are measured and recognised at fair value as at December 31, 2012 according to the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities (level 1),
(b) quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability (level 2), and
(c) prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity) (level 3).

At December 31, 2012, the Group has a warrant liability recognised at fair value. The level 2 financial liability is recognised at fair value through the profit and loss carried at fair value of $3,136,711 (2011: $1,087,727).

(b) Financial Instrument Risk Exposure

Foreign currency risk

The Group has international operations in West Africa, namely Burkina Faso, Mali and Liberia and an administrative office in Western Australia. The multiple locations expose the Group to foreign exchange risk as detailed below:

- Canadian dollar (CAD) – primary source of Group funding and its corporate and regulatory costs.
- Australian dollar (AUD) – administrative costs in Western Australia.
- Euro and Communauté Financiére Africaine Francs (CFA) – funding of African operations.

Management's policy is to actively manage foreign exchange risk. Management mitigates foreign exchange risk by continuously monitoring forecasts and spot prices of foreign currency and holding foreign currency based on expected future expenditure commitments.

The carrying amounts of the Group's financial assets and liabilities are denominated in USD, except as set out below:

		As at December 31, 2012	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
Cash and cash equivalents	1,231,574	12,879,220	18,957
Payables	35,501	78,521	-
		As at December, 31 2011	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
Cash and cash equivalents	1,074,016	15,683,295	24,741
Payables	85,940	-	-

Expressed in United States Dollars

Sensitivity

Based on the financial instruments held as at December 31, 2012, had the US dollar weakened/strengthened by 10% against the AUD, CAD or EUD, with all other variables held constant, the Group's losses/gains for the period would have been mainly as a result of foreign exchange gains/losses in translation of foreign denominated currencies. The following table summarises the sensitivity of the Group's cash and cash equivalents to changes in foreign exchange rates over the 12 month reporting period ending December 31, 2012.

The Group's exposure to other foreign exchange movements is not material.

		As at December 31, 2012	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
USD Strengthened by 10%	(116,081)	(1,178,679)	(2,282)
USD Weakened by 10%	141,877	1,440,612	2,789
		As at December 31, 2011	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
USD Strengthened by 10%	(97,638)	(1,425,748)	(2,249)
USD Weakened by 10%	119,335	1,742,589	2,749

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Group to credit risk consist of cash and cash equivalents and accounts receivable.

The Group has reduced its credit risk by holding the majority of its cash and cash equivalents with a Tier 1 financial institution. Working capital requirements in West Africa are met on an as required basis to maintain limited cash balances.

Liquidity risk

Ultimate responsibility for liquidity risk rests with the Board of Directors, who oversee a liquidity risk management framework for the management of the Group's funding and liquidity requirements.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are adequate funds available to meet its operating and growth objectives. The Group relies on issuance of shares to fund exploration programs and will most likely issue additional shares in the future.

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group deposit funds at both short-term fixed and floating rates of interest. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears interest at variable rates. The fair value of cash approximates its carrying value due to the immediate or short-term maturity of this financial instrument.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing.

Equity price risk

Based on the financial liabilities held as at December 31, 2012, had the Group's share price weakened/strengthened by 10%, with all other variables held constant, the Group's movement in the fair value loss on warrants carried at fair value through the profit and loss would have been +/- $422,376/($422,376).

10. CAPITAL MANAGEMENT

Expressed in United States Dollars

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Group manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responds to changes in economic conditions and the risk characteristics of the underlying assets. There were no changes in the Group's approach to capital management during the twelve months ended December 31, 2012. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the company, is reasonable. The Group is not subject to externally imposed capital requirements.

The properties in which the Group currently has interests are in the exploration stage, as such, the Group does not recognize revenue from its exploration properties. The Group's historical source of capital has consisted of the sale of equity securities. In order for the Group to carry out planned exploration and development and pay for administrative costs, the Group will spend its working capital and expects to raise additional amounts externally as needed.

The Group is exposed to various funding and market risks which could curtail its access to funds.

11. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name of entity	Country of Incorporation	Class of shares	Functional Currency	Equity holding %	
				2012	**2011**
Sarama Investments Ltd	British Virgin Islands	Ordinary	USD	**100**	**100**
Sarama Investments (No.2) Limited	British Virgin Islands	Ordinary	USD	**100**	**100**
Sarama Investments Mali Limited	British Virgin Islands	Ordinary	USD	**100**	**100**
Sarama Investments Liberia Limited	British Virgin Islands	Ordinary	USD	**100**	**100**
Sarama Investments Liberia No. 2 Limited	British Virgin Islands	Ordinary	USD	**100**	**100**
Burkina Faso Holdings Limited	British Virgin Islands	Ordinary	USD	**100**	**-**
Sarama Mining Burkina SUARL	Burkina Faso	Ordinary	CFA	**100**	**100**
Sarama Mining Mali SARL	Mali	Ordinary	CFA	**100**	**100**
Sarama Mining Liberia Limited	Liberia	Ordinary	USD	**100**	**100**
Pedsam Mining Limited (Liberia)	Liberia	Ordinary	USD	**65**	**-**
Sarama Faso SARL	Burkina Faso	Ordinary	USD	**100**	**-**

The Group has included Pedsam Mining Limited ("Pedsam") as a subsidiary for the purpose of these consolidated financial statements. The Group controls the board of Pedsam and provides all funding. Accordingly these consolidated financial statements include the complete financial results and position of Pedsam Mining Limited (Liberia).

12. SEGMENT REPORTING

The Group consider the Board of Directors to be the chief decision maker. The Group operates in one segment, being minerals exploration and evaluation in West Africa.

Expressed in United States Dollars

Non-current Assets

	December 31, 2012				
	Burkina Faso	**Mali**	**Liberia**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Exploration and evaluation assets	13,023,510	368,319	3,018,137	-	16,409,966
Plant and equipment	541,546	-	108,090	73,743	723,379
Total non – current assets	**13,565,056**	**368,319**	**3,126,227**	**73,743**	**17,133,345**

	December 31, 2011				
	Burkina Faso	**Mali**	**Liberia**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Exploration and evaluation assets	3,221,007	1,210,096	867,426	-	5,298,529
Plant and equipment	209,310	119,099	95,080	119,674	543,163
Total non – current assets	**3,430,317**	**1,329,195**	**962,506**	**119,674**	**5,841,692**

13. BASIC AND DILUTED LOSS PER SHARE

	December 31, 2012 Cents per share	**December 31, 2011 Cents per share**
Basic loss per share	**13.6**	**4.4**
Diluted loss per share	**13.6**	**4.4**
	$	**$**
Net loss used in calculating basic/diluted loss per share	**7,386,131**	**1,498,805**
Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	**54,379,607**	**34,233,440**

Diluted loss per share as at December 31, 2012 is the same as basic loss per share as the potential ordinary shares do not increase loss per share.

14. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of loss after tax to net cash flows from operations

	December 31, 2012	**December 31, 2011**
	$	**$**
Loss for the period	(7,386,131)	(1,498,805)
Depreciation	23,016	11,841
Exploration expenditure written off	1,407,762	-
Stock-based payments	520,091	1,070,543
Fair value loss/(gain) on warrants	3,136,711	(1,885,044)
Net exchange and translation differences (gain)/loss	(227,770)	139,069
Net cash outflows used in operating activities before change in working capital	(2,526,321)	(2,162,396)
Change in working capital		
Decrease/(Increase) in accounts receivable	(259)	13,959
Increase/(decrease) in accounts payable and accrued liabilities	(57,940)	297,473
Net cash outflows used in operating activities	(2,584,520)	(1,850,964)

15. COMMITMENTS

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

	December 31,2012 $	December 31, 2011 $
Less than one year	55,224	58,080
Between 1 and 2 years	17,456	72,680
Total	72,680	130,760

The Group has no contingencies (2011: Nil).

16. KEY MANAGEMENT COMPENSATION

Year	Salary	Directors Fees	Share-based awards (2)	Annual incentive plans	Pension value (1)	All other compensation (3)	Total compensation
2012	850,654	136,496	298,350	265,787	69,658	53,884	**1,674,829**
2011	614,601	-	608,307	-	46,294	91,056	**1,360,258**

Notes:

(1) The Group is required by applicable law in Australia to make an annual contribution of 9% of gross annual salary to the nominated superannuation funds of Australian employees. Subject to the prevailing legislation, employees are able to elect a higher rate at which the Group contributes. The Group contributes to superannuation funds of Australian resident named executive officers (NEO) at a rate of 10% of base salary per year, in addition to the base salary. The Group does not provide defined benefit plans or other pension entitlements for any of its employees.

(2) Option-based awards represent the fair market value of incentive stock options awarded during the year. The calculation of fair market value is based on the Black-Schöles Option Pricing Model. The Group selected the Black- Schöles model because it is widely used in estimating option based compensation values by Canadian public companies. The fair value was estimated at the grant date based on the Black- Schöles option pricing model assuming a risk-free interest rate of 1%, no dividend yield, expected life of 5 years and an expected price volatility of 95%.

(3) All other compensation relates to accrued annual leave for the year and in 2011 the balance includes fees paid to Mr. Longmire's consulting firm for consulting services received up to and including July 31, 2011 when he joined the Group on a full-time basis. The consulting fee was paid in Australian dollars and the amount disclosed above has been converted to US dollars. Refer note 7.