Sarama Resources Ltd

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
JUNE 30, 2012

(Unaudited, 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

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.

AUDITORS

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

LEGAL ADVISORS

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

WEBSITE

www.saramaresources.com

Expressed in United States Dollars

	Note	As at June, 30 2012 $	As at December, 31 2011 $
ASSETS			
Current assets			
Cash and cash equivalents		9,160,330	17,091,005
Receivables		109,117	72,871
Prepayments		53,149	561,665
Total current assets		9,322,596	17,725,541
Non-current assets			
Exploration and evaluation assets	3	12,490,704	5,298,529
Plant and equipment	4	677,179	543,163
Total non-current assets		13,167,883	5,841,692
Total assets		22,490,479	23,567,233
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		444,741	401,588
Financial liabilities	5(e)	1,537,630	1,087,727
Total current liabilities		1,982,371	1,489,315
Total non-current liabilities		-	-
Total liabilities		1,982,371	1,489,315
EQUITY			
Share capital	5	22,979,644	22,979,644
Stock-based compensation reserve	5(d)	1,445,018	1,070,543
Foreign currency translation reserve		(72,601)	(2,713)
Deficit		(3,843,953)	(1,969,556)
Total equity		20,508,108	22,077,918
Total liabilities and equity		22,490,479	23,567,233

These financial statements are authorised for issue by the Board of Directors on August 28, 2012.

They are signed on the Company's behalf by:

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

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

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

Expressed in United States Dollars

	Note	Three month period ended June 30, 2012 $	Three month period ended June 30, 2011 $	Six month period ended June 30, 2012 $	Six month period ended June 30, 2011 $
Income					
Other income		18,435	9,250	33,844	32,974
Foreign exchange gain		-	160,672	98,080	147,727
Fair value gain on warrants carried at fair value through profit and loss		2,670,210	-	-	-
		2,688,646	169,922	131,924	180,701
Expenses					
Accounting and audit		21,486	61,737	33,881	71,864
Stock - based compensation		72,411	850,670	374,475	850,670
Salaries		225,411	163,833	504,684	275,432
Professional fees		168,847	72,055	176,760	126,349
Office and general		49,539	53,826	270,419	212,897
Travel		57,790	35,651	136,867	94,746
Depreciation		4,968	12,062	10,272	12,062
Foreign exchange loss		218,855	-	-	-
Insurance		13,287	1,321	49,062	2,165
Fair value loss on warrants carried at fair value through profit and loss	5(e)	-	-	449,903	-
Total expenses		839,593	1,251,155	2,006,322	1,644,020
Profit/ (Loss) before income tax		1,856,052	(1,081,233)	(1,874,397)	(1,463,319)
Income tax expense		-	-	-	-
Profit/ (Loss) for the period		**1,856,052**	**(1,081,233)**	**(1,874,397)**	**(1,463,319)**
Other Comprehensive income/(loss)					
Exchange differences on translation of foreign operations		114,233	(14,286)	(69,888)	(25,564)
Comprehensive profit/ (loss) for the period		**1,970,285**	**(1,095,519)**	**(1,944,285)**	**(1,488,833)**
Basic and diluted earnings/ (loss) per common share	6	3.8c	(3.6c)	(3.7c)	(4.9c)

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

Condensed Consolidated Statement of Cash Flows
Expressed in United States Dollars
(Unaudited)

	Six months Ended June 30, 2012 $	Six months Ended June 30, 2011 $
Cash flows used in operating activities		
Payments to suppliers and employees	(1,167,689)	(719,446)
Interest received	32,490	23,724
Net cash used in operating activities	(1,135,199)	(695,722)
Cash flows used in investing activities		
Purchase of plant and equipment	(181,688)	(279,644)
Payments for exploration and evaluation	(6,683,676)	(1,778,145)
Net cash used in investing activities	(6,865,364)	(2,057,789)
Cash flows from financing activities	-	-
Net cash generated by financing activities	-	-
Net decrease in cash and cash equivalents	(8,000,563)	(2,753,511)
Net foreign exchange differences	69,888	222
Cash and cash equivalents at beginning of the period	17,091,005	7,377,633
Cash and cash equivalents at end of the period	9,160,330	4,624,344

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

Expressed in United States Dollars

	Number of Common Shares	Capital Stock (note 5)	Stock-based Compensation Reserve	Foreign Currency Translation Reserve	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 company	-	-	-	-	(1,463,319)	(1,463,319)
Exchange differences on translation of foreign operations	-	-	-	(25,564)	-	(25,564)
Total comprehensive loss for the period	**-**	**-**	**-**	**(25,564)**	**(1,463,319)**	**(1,488,883)**
Share based payments	-	-	850,670	-	-	**850,670**
Balance at June 30, 2011	**29,774,601**	**8,246,280**	**850,670**	**(30,517)**	**(1,934,070)**	**7,132,363**
Balance at January 1, 2012	**51,513,312**	**22,979,644**	**1,070,543**	**(2,713)**	**(1,969,556)**	**22,077,918**
Loss attributed to members of the company	-	-	-	-	(1,874,397)	(1,874,397)
Exchange differences on translation of foreign operations	-	-	-	(69,888)	-	(69,888)
Total comprehensive loss for the period	**-**	**-**	**-**	**(69,888)**	**(1,874,397)**	**(1,944,285)**
Share based payments	-	-	374,475	-	-	374,475
Balance at June 30, 2012	**51,513,312**	**22,979,644**	**1,445,018**	**(72,601)**	**(3,843,953)**	**20,508,108**

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.

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 year ended December 31, 2011.

In the opinion of management, all adjustments considered necessary for a fair statement of results in accordance with International Financial Reporting Standards ("IFRS") have been included.

The board of directors of the Company approved these condensed consolidated interim financial statements on the August 28, 2012.

The principal accounting policies adopted are consistent with those of the previous financial year.

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 IFRS 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.

2. 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, 2011. Many are not applicable or do not have a significant impact to the Company 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:

a) IFRS 9 "Financial Instruments" ("IFRS 9") which 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, 2015;

b) 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;

c) IFRS 11 "Joint arrangements" ("IFRS 11") which 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 annual periods beginning on or after January 1, 2013;

d) 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.

Expressed in United States Dollars

IFRS 12 is effective for annual reporting periods beginning January 1, 2013 (with early adoption permitted); and

e) 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. MINERAL INTERESTS

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 June 30, 2012:

	December 31, 2011 $	**Additions 2012 $**	**June 30, 2012 $**
Burkina Faso			
Serakoro (b)			
Acquisition costs	125,578	-	125,578
Exploration expenditure	-	389,858	389,858
Tankoro (a)			
Acquisition costs	182,132	-	182,132
Exploration expenditure	881,523	4,737,214	5,618,737
Other			
Acquisition costs	246,131	41,920	288,051
Exploration expenditure	1,785,643	657,865	2,443,508
Total Burkina Faso	**3,221,007**	**5,826,857**	**9,047,864**
Mali			
Acquisition Costs	34,460	-	34,460
Exploration expenditure	1,175,636	338,063	1,513,699
Total Mali	**1,210,096**	**338,063**	**1,548,159**
Liberia			
Pedsam (c)			
Acquisition Costs	279,437	-	279,437
Exploration expenditure	556,219	1,026,871	1,583,090
Other			
Acquisition Costs	30,000	-	30,000
Exploration expenditure	1,770	384	2,154
Total Liberia	**867,426**	**1,027,255**	**1,894,681**
Total	**5,298,529**	**7,192,175**	**12,490,704**

a. Tankoro Property, 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 anniversaries 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 (Net Smelter Return) royalty which the Company has an option to acquire for $1 million.

Expressed in United States Dollars

b. Serakoro Project, 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 are payable to SA.BI.MA SARL on the first, second and third year anniversaries 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 a farm-in agreement with Norwegian Company Pedra 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). An amount of $100,000 was paid to the vendor on execution of this agreement.

As at June 30, 2012, the Company's equity interest was 50% (2011: 0%).

4. PLANT AND EQUIPMENT

June 30, 2012

	Plant and Equipment $	Motor Vehicles $	Office Equipment $	Total $
Opening Net Book Value	115,911	282,822	144,430	543,163
Additions	48,445	75,389	57,854	181,688
Depreciation	(2,483)	(30,080)	(15,109)	(47,672)
Closing Net Book Value	**161,873**	**328,131**	**187,175**	**677,179**
Cost	168,886	416,083	238,725	823,695
Accumulated Depreciation	(7,013)	(87,952)	(51,550)	(146,516)
Closing Net Book Value	**161,873**	**328,131**	**187,175**	**677,179**

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**
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**

Expressed in United States Dollars

5. SHARE CAPITAL

(a) Authorised Share Capital

At June 30, 2012, the authorised share capital comprised an unlimited number of common shares without par value.

(b) Issued Share Capital

	Capital Stock	
	Number	**$**
Balance, June 30, 2011	29,774,601	8,426,280
Shares issued via a private placement (note 6(b)(i))	3,200,000	2,648,320
Share issue costs	-	(1,418,464)
Shares issued pursuant to prospectus financing (note 6(b)(ii))	18,538,711	13,503,508
Balance, June 30, 2012	**51,513,312**	**22,979,644**

Details of issues of common shares

(i) 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).

(ii) 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. The warrants were classed as a financial liability (see note 5(e)). 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.

(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. Options can be exercised at any time prior to their expiry date.

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

Details are as follows:

Grant Date	**No.**	**Exercise Price CAD**	**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		

On February 20, 2012, the Company granted 1,125,000 options to directors, executive officers, management and a consultant in accordance with the Company's stock option plan. The option's vesting conditions 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 CAD $1.00 per share *(d) Stock-Based Compensation*

Expressed in United States Dollars

For the period ended June 30, 2012, the Company 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)	$321,993
Balance to be recognised over remaining vesting period (ii)	$183,811
Estimated fair value per option	49.62c

(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:

	February 20, 2012
Risk-free interest rate	1%
Expected dividend yield	0%
Expected stock price volatility	95%
Expected option life in years	2.5-3 years

(ii) The options granted on February 20, 2012 vesting conditions were that 50% vest immediately and 50% vest 12 months from the date of grant.

(e) Warrants

The Company issued warrants as part of the common share issue on November 2, 2011. Changes in the fair value of these warrants since listing are as follows:

	$
Fair value at December 31, 2011	1,087,727
Fair value loss on warrants carried at fair value through profit and loss	449,903
Fair value at June 30, 2012	1,537,630

	Broker Warrants	**Shareholder Warrants**
Total warrants issued	973,656	9,269,355
Exercise price	$0.90	$1.20
Estimated fair value of warrants (i)	185,869	1,351,770
Estimated fair value per warrant	19.09c	14.58c

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

	June 30, 2012
Risk-free interest rate	1%
Expected dividend yield	0%
Expected stock price volatility	95%
Expected warrant life in years	1 year 4 months

Expressed in United States Dollars

6. BASIC AND DILUTED LOSS PER SHARE

	Six months ended June 30, 2012	Six months ended June 30, 2011
	Cents per share	**Cents per share**
Basic Loss per share	3.6	4.9
Diluted loss per share	3.6	4.9
Net loss used in calculating basic/diluted loss per share	(1,874,397)	(1,463,319)
Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	**51,513,312**	**29,774,601**

7. COMMITMENTS

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

	June 30, 2012 $	December 31, 2011 $
Less than one year	29,040	58,080
Between one and two years	72,680	72,680
Total	101,720	130,760

On June 28, 2012 the Company entered into a contract to purchase two new properties in the Banfora Belt, Burkina Faso. Upon the permits covering the Properties being registered in the name of the Company's local subsidiary, the Company will make a first instalment payment to the vendor of either, at the Company's sole discretion, US$100,000 cash or the equivalent in common shares in Sarama Resources Ltd. A second payment, of either US$100,000 cash or the equivalent in common shares of Sarama, at the Company's sole discretion, will be due to the vendor upon successful re-issue of either or both of the exploration permits covering the Properties to Sarama by the government of Burkina Faso after the end of the current terms in July 2014. The shares in Sarama issued in connection with this transaction will be subject to a mandatory 4-month hold period under applicable securities laws.

The Group has no contingencies (2011: Nil).