SARAMA RESOURCES LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the year ended December 31, 2011

(April 30, 2012)

(All amounts expressed in United States dollars, unless otherwise indicated)

INTRODUCTION

The following management's discussion and analysis ("**MD&A**") of the operating results and financial position of Sarama Resources Ltd ("**the Company**", "**Sarama**", "**we**", "**us**" or "**our**") should be read in conjunction with the accompanying audited consolidated annual financial statements and the notes thereto of the Company for the period ended December 31, 2011. These consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in United States dollars, unless otherwise stated.

This MD&A is current as at April 30, 2012. Additional information relating to the Company is available on SEDAR under our profile.

FORWARD-LOOKING STATEMENTS

These consolidated financial statements and MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to our planned exploration and development activities, costs and timing of future exploration, results of future exploration and drilling, timing and receipt of approvals, consents and permits under applicable legislation, and the adequacy of financial resources. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance are not statements of historical fact and may be forward-looking information. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify forward-looking information.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. We believe that the assumptions and expectations reflected in such forward-looking information are reasonable.

Assumptions have been made regarding, among other things: our ability to carry on our exploration and development activities, our ability to meet our obligations under our property agreements, the timing and results of drilling programs, the discovery of mineral resources and mineral reserves on our mineral properties, the timely receipt of required approvals, the price of gold, the costs of operating and exploration expenditures, our ability to operate in a safe, efficient and effective manner and our ability to obtain financing as and when required and on reasonable terms. You are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.

OVERVIEW

Sarama Resources Ltd is an early stage mineral exploration company whose principal business objectives are the acquisition, exploration and development of gold properties and resources on the African continent. The Company has acquired interests in gold projects located in Burkina Faso, Liberia and Mali. In Burkina Faso, the Company is earning a 100% interest in each of its principal properties in the South Houndé Project, an area covering approximately 850 km² in the south-west of the country. The Company also holds title to, or has entered into agreements to acquire up to a 100% interest in, a number of other permit areas in Burkina Faso, Liberia and Mali.

During the financial year ended December 31, 2011 the Company undertook soil sampling surveys, initial scout Reverse Circulation ("**RC**") drill programs and continued permit acquisition and consolidation in Burkina Faso. Initial scout drilling was undertaken on three separate permits and identified a number of targets for follow up with the arrival of a dedicated RC drill rig. In January 2012, the Company commenced an extensive RC drill program on its South Houndé permits, in particular its Tankoro permit where good first-pass RC drill results were achieved. Following receipt of the initial RC drill results, a diamond drill program was commenced and in April the company started a Rotary Air Blast ("**RAB**") drill program. These drill programs are ongoing and have been designed, in part, to better define the initial discovery and understanding of the geological setting as well as testing more regional targets. Soil sampling programs continue on recently acquired and more outer lying permits along with mapping and targeting work.

In Liberia, in the second quarter of 2011, the company entered in to an earn-in agreement where it has the right to earn 90% and, subject to vendor approval, 100% of three exploration permits covering 1,200km^2 and in the fourth quarter it was granted two reconnaissance licences covering 1,200km^2. Initial exploration activities including airborne geophysical surveys and soil sampling programs commenced in the second half of 2011 with airborne geophysical surveys being completed in the first quarter of 2012 and soil sampling programs are continuing.

In Mali, the Company undertook a range of exploration activities including soil sampling programs, mapping and a reconnaissance RC drill program on one of its permits in southern Mali. In December 2011, the Company entered in to an option agreement to acquire 100% of a permit located in West Mali and an initial sampling program was completed in the first quarter of 2012, the results of which are still pending.

SELECTED ANNUAL INFORMATION

The following table includes selected financial information for the past two years. The Company was incorporated on April 8, 2010.

	December 31, 2011 $	Period from April 8, 2010 to December 31, 2010 $
Interest income	68,608	24,576
Net loss	1,498,805	470,751
Basic and diluted loss per share	4.4 cents	5.1 cents
Total assets	23,567,233	7,874,691
Total liabilities	1,489,315	104,115

EXPLORATION AND DEVELOPMENT ACTIVITIES

PROPERTY INFORMATION, RECENTLY COMPLETED ACTIVITIES AND OUTLOOK

<u>Burkina Faso</u>

In Burkina Faso, the company's activities are focused on the Houndé Greenstone Belt and, in particular, the southern part of the belt where the company has assembled a large suite of properties. The most advanced of these is the Tankoro Project where soil sampling and initial scout drilling in 2011 identified a number of anomalies of which the most advanced has been called the MM Prospect. The Company has been drilling continuously with an RC rig since early January 2012 and following excellent initial drilling results on the MM Prospect, it was decided to add a diamond drill and RAB rig to the program. Outlined below is a summary of the status of the principal permits in the southern Houndé Greenstone Belt.

Tankoro

The Company entered an option agreement to acquire the Tankoro permit in early 2011. The Company has the right to earn up to a 100% interest with a trailing 1.5% Net Smelter Return ("NSR") royalty, which the Company has an option to acquire for $1 million.

Initial permit wide broad spaced and follow-up infill soil geochemistry programs were completed in the second quarter of 2011. These programs identified a 20km x 4km corridor of anomalous gold-in-soil occurrences and also a second corridor 10km long with anomalous gold-in-soil occurrences. A scout RC drill program was undertaken to test the large-scale geochemical anomalies and this was completed early in the third quarter with a number of drill holes encountering significant mineralisation. In addition to the RC program, several small auger drilling programs were undertaken to test and confirm specific anomalies.

A drilling contract was signed at the end of the third quarter for a large-scale RC program to follow up the scout drilling program and this commenced in January, 2012. Prior to the commencement of the drill program, a 50-man exploration camp was constructed to support field activities and the planned 10,000m RC program on the permit. This camp has since been expanded to accommodate 80 men.

Initial RC drilling results were very encouraging and as a result a diamond drill rig was mobilised and an initial 2,800m program undertaken with the primary objective being to gain geological information and determine the nature and orientation of mineralisation. The diamond drill program has been extended and a RAB program commenced to test gold-in-soil anomalies within the vicinity of the MM Prospect.

Namaré

In 2010, the Company entered into an option agreement where it has the right to earn up to a 100% interest with a trailing 1.5% NSR royalty.

In late 2010, the Company undertook permit wide airborne geophysical and soil sampling surveys. The geophysical data identified four areas of interest that are coincident with geochemical anomalies within the permit.

A small scout RC program was completed at the start of the third quarter of 2011 to test several geochemical anomalies and a number of drill holes encountered significant mineralisation. A small auger program was also completed to test several anomalies. Initial exploration work is encouraging and the Namaré permit will be the subject of follow-up exploration work including RAB and RC drilling.

Bouni

The Company entered into an option agreement to acquire the Bouni permit in 2010. The Company has the right to earn up to a 100% interest with a trailing 1% NSR royalty which the Company has an option to acquire for $1 million.

In 2010, soil sampling survey work was undertaken on what was considered the geologically prospective areas of the permit and this identified several kilometre-scale gold-in-soil anomalies. A small scout RC program was completed at the start of the third quarter of 2011 to test several of the identified anomalies and a number of drill holes encountered significant mineralisation which will be the subject of further follow-up exploration work including RAB and RC drilling.

Bamako

In 2011, the Company entered into an option agreement to acquire the Bamako permit. The Company has the right to earn up to a 100% interest with a trailing 1.5% NSR royalty which the Company has an option to acquire for $1 million.

A broad-spaced soil geochemical survey was completed and identified several kilometre scale gold anomalies. A scout RC drilling program was undertaken on this permit in the second quarter of 2012, the results of which are pending.

Other Burkina Faso properties

The Company has rights over a number of other permits in Burkina Faso and these are at various phases of exploration with some permits being in the early reconnaissance stage and others have been the subject of soil geochemical surveys. The results of these surveys will be interpreted and used for future targeting of exploration activities.

The Company will continue to undertake follow-up reconnaissance work on these permits including mapping and soil geochemistry surveys with the intent of developing additional exploration targets.

In addition to undertaking early-stage exploration activities, the Company is still assessing opportunities to consolidate and improve its land holdings in Burkina Faso and will continue this on an ongoing basis.

<u>Liberia</u>

The Company began looking for opportunities in Liberia in early 2011 and in the second quarter it entered in to an earn-in agreement to acquire an interest in three permits in Liberia with a total area of 1,202km^2. Under the terms of the agreement, the company has the right to earn up to an 80% interest by achieving prescribed expenditure milestones and up to 90% by either meeting additional expenditure requirements or producing a minimum of 100,000 ounce gold resource. Upon reaching the 90% milestone the vendor has the option to contribute on a pro rata basis to maintain its position or convert its interest to a 1% NSR royalty at which point the company's interest will increase to 100% ownership.

In mid-2011 and prior to the onset of the rainy season, the Company commenced flying airborne geophysical surveys on these permits with the balance of these surveys being completed in the first quarter of 2012. The Company commenced on-ground mapping and soil sampling across these permits in the fourth quarter of 2011 and these programs have continued in to 2012 and the receipt of results has been slow due to slow turn around in the assay laboratory.

In the last quarter of 2011, the Company acquired reconnaissance licences in the west of Liberia covering a total area of approximately 1,200km^2 and it has commenced reconnaissance work on these permits.

<u>Mali</u>

The Company has a number of permits under option and joint venture in Mali where basic reconnaissance work has been undertaken. In the last quarter of 2011, the Company undertook a 7,000m reconnaissance RC drilling program on its Ourounia permit in southern Mali. This RC drill program proved inconclusive and the company is currently assessing the drill results to plan future exploration activities on this permit. In December 2011 the company entered an option agreement to acquire a 100% interest in a 110km^2 permit located in west Mali that is proximal to the Senegalo-Malian Shear Zone which hosts a number of large, high grade gold mines. A permit wide soil program was undertaken in the first quarter of 2012, the results of which are still pending.

On March 22, 2012, a group of soldiers, led by Captain Amadou Sanogo, seized control of Mali's presidential palace and declared the government dissolved and its constitution suspended. Since that date there has been instability in Bamako and in regional areas of Mali.

On April 8, 2012, the president of Mali, Amadou Toure formally resigned and it was announced that the Malian parliamentary speaker, Dioncounda Traore, would take over as the interim president and govern with a transitional administration until elections are held.

The Company has been monitoring the events in Mali closely. At this point, there have been no access issues with regards to the Company's mineral interests and the Company's plant and equipment remains in good physical condition. The Company doesn't believe that any of its mineral interests nor plant and equipment have been affected. Accordingly, there has been no adjustment made to the carrying value of its assets or any provisions made in the financial statements.

SUMMARISED FINANCIAL RESULTS

(in 000's)

	Year ended December 31, 2011 $	Period from April 8, 2010 to December 31, 2010 $
Interest income	69	25
Fair value gain on warrants carried at fair value through profit and loss	1,885	-
Foreign exchange gain/(loss)	(176)	146
General and administrative	(1,749)	(641)
Initial public offering ("IPO") costs	(444)	-
Stock-based compensation	(1,071)	-
Depreciation	(12)	(1)
Net loss	(1,498)	(471)

Interest income

During the year ended December 31, 2011, the Company earned interest of $68,608 (2010 - $26,283). This interest was earned on funds held in an Australian Dollar 3 month term deposit and funds also held on the transactional accounts across the various currency accounts held by the Company. The increase since the prior year reflects the increase in cash balances held by the Company due to capital raisings.

Fair value gain on warrant liability

As part of the offer to shareholders and brokers during the IPO process, the Company issued a total of 10,243,012 warrants. A value of $2,972,771 was recognised at the time of the close of the IPO (November 2, 2011) using the Black-Scholes valuation method. In accordance with accounting standards, these are revalued at the end of each quarter. At December 31, 2011 these were revalued to $1,087,727, resulting in the recognition of a fair value gain on warrants carried at fair value through the profit and loss of $1,885,044.

General and administration

This represents the costs incurred in maintaining the administration function in Perth, Western Australia and insurance coverage for the Group. These costs have increased since the previous period due to the hire of two named executive officers (Paul Schmeide as Vice President – Corporate Development and Nick Longmire as Chief Financial Officer) and two staff, the lease of an office , professional services (both tax and legal) and travel costs associated with investor relations and visiting West Africa.

Depreciation

Depreciation has increased due to the Company acquiring office equipment during the year.

Stock-based compensation

The stock-based compensation in the current period relates to the two option issues to directors, employees and consultants. The first issuance occurred on May 12, 2011 (2,475,000 options granted) and the second on July 28, 2011 (450,000 options granted).

The values of the options were calculated using the Black-Scholes option pricing model. The assumptions used in the model for each of the issues were as follows:

	May 12, 2011	July 28, 2011
Volatility	100%	110%
Expected option life	5 years	2.5 years

Risk-free interest rate	1%	1.5%
Dividend yield	0%	0%

Foreign Exchange Gain/Loss

The Company holds cash reserves in Australian dollars, Canadian dollars, United States dollars, Euros and West African Francs to fund exploration and evaluation activity and pay general and administration costs. The foreign exchange gains and losses disclosed represent fluctuations in the exchange rates of non-United States dollar cash balances.

IPO costs

During the year ended December 31, 2011, the Company carried out its IPO. This process incurred significant expenditure on legal fees, consulting fees incurred for preparation of the technical report, the auditors and other sundry costs in order to meet the requirements of the preparation of the prospectus and listing requirements. A portion of these costs have been accounted for as a reduction in the capital raised.

EXPLORATION AND EVALUATION EXPENDITURE

During the year ended December 31, 2011, the Company spent $4,895,090 (2010 – $303,340) on exploration and evaluation activities and $452,914 on property, plant and equipment (2010 – $90,249).

SUMMARISED QUARTERLY RESULTS

The Company became a reporting issuer on November 3, 2011. The only quarterly information prepared and submitted prior to these annual financial statements was the quarterly financial statements as at 30 September 2011.

Summarised quarterly results for the past two quarters are:

	Quarter ended	
	December 31, 2011	September 30, 2011
Interest income	15,982	19,151
Net profit/(loss) for the period	1,203,509	(1,238,996)
Basic profit/(loss) per share	2.7c	(3.7c)
Diluted profit/(loss per share)	2.2c	(3.7c)

LIQUIDITY AND CAPITAL RESOURCES

The Company does not generate cash from mining operations. In order to fund its exploration work and administrative activities, the Company is dependent upon raising capital through the issue of shares.

The Company is at an early stage of development and, as is common with many exploration activities, the Company will raise finance through the issue of shares and the Company continues to believe such financing will be available as required.

The Company has completed two significant financing transactions since the commencement of the quarter and up to the date of this report:

1. On July 4, 2011, the Group 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).
2. On November 3, 2011, the Company closed 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.

As at December 31, 2011 the Company had working capital of $17,323,953.

USE OF PROCEEDS

The Company has included a comparison of expenditure to date versus the amount forecast in the Use of Proceeds table in the Prospectus dated October 26, 2011.

About 10% of the funds had been expended by December 31, 2011. Generally, the expenditure is being incurred in accordance with plan with the exception of Mali where planned drilling was able to be brought forward and completed in November and December when a drill rig was made available to the Company at short notice. This program had originally planned to be undertaken on a campaign basis at regular intervals over the next 18 months.

Principal Purpose	Estimated Amount to be Expended (US$)	Actual amount expended to December 31, 2011 (US$)
South Houndé Project Exploration		
Geochemistry & Geophysics	350,000	-
Drilling expenses	3,900,000	190,072
Sampling/Pits/Trenching	888,500	-
Field Camp Establishment	457,500	-
Personnel expenses	1,364,000	307,158
Permit related payments	344,000	62,984
South Houndé Project Exploration Sub-Total:	7,304,000	560,214
Liberia Exploration		
Sampling/Geophysics/Geochemistry	1,041,000	137,487
Personnel expenses	335,000	85,579
Permit related payments	318,000	62,694
Liberia Exploration Sub-Total:	1,694,000	285,760
Mali Exploration		
Sampling/Geophysics/Geochemistry	218,000	-
Drilling expenses	350,000	624,611
Personnel expenses	103,000	91,644
Permit related payments	47,000	-
Mali Exploration Sub-Total:	718,000	716,255
Exploration of other Burkina Faso properties	500,000	60,277
General and Administration expenses	3,564,000	314,774
General working capital	4,790,500	-
Total	18,570,500	1,937,280

CONTRACTUAL OBLIGATIONS

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

	December 31,2011	**December 31, 2010**
	$	**$**
Less than one year	58,080	-
Between 1 and 2 years	72,680	-
Total	130,760	-

On September 21, 2011, the Company entered into an agreement with PPI Burkina SARL ("PPI") 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.

COMMON SHARE DATA (As at December 31, 2011)

Common shares outstanding	51,513,312
Options issued to directors, executive officers, employees and consultants	2,925,000
Warrants issued to shareholders and agents	10,243,012
Common shares outstanding assuming exercise of all options and warrants	64,681,324

RELATED PARTY TRANSACTIONS

	Year ended December 31, 2011	Period from April 8, 2010 to December 31,2010
Amount paid for consulting services to a consulting firm which the current Chief Financial Officer "("CFO") is a Principal (i)	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 parties.

RISK AND UNCERTAINTIES

The Company's operations and results are subject to a number of different risks at any given time. These risk factors include, but are not limited to:

1. the Company's limited operating history;
2. negative operating cashflow and the need for additional financing;
3. early stage exploration and no mineral resources or reserves;
4. global economic conditions;
5. dependence on key management and qualified personnel;
6. exploration, development and mining risks;
7. title and property risks;
8. presence of artisanal miners;
9. risks associated with operations in Africa;
10. risks associated with maintaining a skilled workforce;
11. risks relating to government regulations;
12. environmental laws; regulations and risks;
13. uncertainty of acquiring necessary permits and compliance with terms;

14. infrastructure;
15. uninsurable risks;
16. enforcement of legal rights;
17. market factors and volatility of commodity prices;
18. fluctuations in foreign exchange rates;
19. competition;
20. acquisition risks; and
21. conflicts of interest.

For a detailed explanation of each of these risks, please refer to page 94 of the Company's final prospectus dated October 26, 2011. The Company's final prospectus is published at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make certain estimates that affect the amounts reported. The accounting estimates considered to be significant include estimates of the recoverability of exploration and evaluation expenditures, future income taxes and share based payments.

The Company 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 Company to obtain the financing necessary to develop the properties, the ability of the Company 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 amount.

The Company calculates the value of share based payments using the Black-Scholes Option Pricing model. As the Company's shares have limited trading history the volatility of the stock is calculated using a basket of comparative companies.

OFF-BALANCE SHEET TRANSACTIONS

During the year ended December 31, 2011, and up to the date of this report, the Company had no off-balance sheet transactions.

RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC 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, 2015.

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.

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

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.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Andrew Dinning
President and Chief Executive Officer

Nick Longmire
Chief Financial Officer