Sarama Resources Ltd

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 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)

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WEBSITE

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Condensed Consolidated Statement of Financial Position

Expressed in United States Dollars
(Unaudited)

	Note	As at September, 30 2012 $	As at December, 31 2011 $
ASSETS			
Current assets			
Cash and cash equivalents		6,765,269	17,091,005
Security deposit		137,000	-
Receivables		81,520	72,871
Prepayments		22,573	561,665
Total current assets		7,006,362	17,725,541
Non-current assets			
Mineral interests	3	13,111,063	5,298,529
Plant and equipment	4	689,282	543,163
Total non-current assets		13,800,345	5,841,692
Total assets		20,806,707	23,567,233
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		326,938	401,588
Financial liabilities	5e)	2,274,613	1,087,727
Total current liabilities		2,601,551	1,489,315
Total non-current liabilities		-	-
Total liabilities		2,601,551	1,489,315
EQUITY			
Capital stock	5b)	22,979,644	22,979,644
Stock-based compensation reserve		1,518,224	1,070,543
Foreign currency translation reserve		(48,041)	(2,713)
Deficit		(6,244,671)	(1,969,556)
Total equity		18,205,156	22,077,918
Total liabilities and equity		20,806,707	23,567,233

These financial statements are authorised for issue by the Board of Directors on November 30, 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.

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

	Note	Three month period ended September 30, 2012 $	Three month period ended September 30, 2011 $	Nine month period ended September 30, 2012 $	Nine month period ended September 30, 2011 $
Income					
Other income		12,261	19,151	46,465	52,126
Foreign exchange gain		241,743	-	339,823	-
		254,004	19,151	386,288	52,126
Expenses					
Accounting and audit		14,355	60,062	48,236	131,926
Stock-based compensation		73,206	219,873	447,681	1,070,543
Salaries		224,277	290,929	728,961	640,652
Professional fees		65,265	107,158	242,025	32,867
Office and general		118,830	233,900	438,312	573,145
Travel		8,486	60,808	145,353	155,554
Depreciation		5,916	3,509	16,188	15,571
Foreign exchange loss		-	281,908	-	134,182
Exploration costs written off	3	1,407,761	-	1,407,761	-
Fair value loss on warrants carried at fair value through profit and loss	5e)	736,983	-	1,186,886	-
Total expenses		2,655,079	1,258,147	4,661,403	2,754,440
Loss before income tax		(2,401,075)	(1,238,996)	(4,275,115)	(2,702,314)
Income tax expense		-	-	-	-
Loss for the period		**(2,401,075)**	**(1,238,996)**	**(4,275,115)**	**(2,702,314)**
Other comprehensive income/(loss)					
Exchange differences on translation of foreign operations		115,216	(5,315)	(45,328)	32,338
Comprehensive loss for the period		**(2,285,859)**	**(1,244,311)**	**(4,320,443)**	**(2,669,976)**
Basic and diluted loss per common share (cents)	6	(4.7)	(3.7)	(8.3)	(8.8)

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

Expressed in United States Dollars

	Nine months Ended September 30, 2012 $	Nine months Ended September 30, 2011 $
Cash flows used in operating activities		
Payments to suppliers and employees	(1,686,185)	(1,278,187)
Interest received	46,465	52,126
Net cash used in operating activities	(1,639,720)	(1,226,061)
Cash flows used in investing activities		
Purchase of plant and equipment	(162,307)	(292,871)
Payments for exploration and evaluation	(8,681,204)	(3,084,025)
Security deposits	(137,000)	-
Net cash used in investing activities	(8,980,511)	(3,376,896)
Cash flows from financing activities		
Proceeds from issues of equity securities	-	2,588,680
Net cash generated by financing activities	-	2,588,680
Net decrease in cash and cash equivalents	(10,620,231)	(2,014,277)
Net foreign exchange differences	294,495	(284,359)
Cash and cash equivalents at beginning of the period	17,091,005	7,377,633
Cash and cash equivalents at end of the period	**6,765,269**	**5,078,997**

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	-	-	-	-	(2,702,314)	(2,702,314)
Exchange differences on translation of foreign operations	-	-	-	32,338	-	32,338
Total comprehensive loss for the period	**-**	**-**	**-**	**32,338**	**(2,702,314)**	**(2,669,976)**
Share issues – private placement	3,200,000	2,648,320	-	-	-	**2,648,320**
Stock-based compensation	-	-	1,070,543	-	-	**1,070,543**
Share issue costs	-	(59,640)	-	-	-	**(59,640)**
Balance at September 30, 2011	**32,974,601**	**10,834,960**	**1,070,543**	**27,385**	**(3,173,065)**	**8,759,823**
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	-	-	-	-	(4,275,115)	(4,275,115)
Exchange differences on translation of foreign operations	-	-	-	(45,328)	-	(45,328)
Total comprehensive loss for the period	**-**	**-**	**-**	**(45,328)**	**(4,275,115)**	**(4,320,443)**
Stock-based compensation	-	-	447,681	-	-	447,681
Balance at September 30, 2012	**51,513,312**	**22,979,644**	**1,518,224**	**(48,041)**	**(6,244,671)**	**18,205,156**

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.

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

The principal accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting periods.

Basis of Presentation

These condensed 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") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). In addition, these condensed consolidated interim 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 Company:

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, with early adoption permitted;

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

Expressed in United States Dollars

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 September 30, 2012:

	December 31, 2011 $	Additions 2012 $	September 30, 2012 $
Burkina Faso			
Serakoro 1 b)			
Acquisition costs	125,578	-	125,578
Exploration expenditure	-	333,730	333,730
Tankoro a)			
Acquisition costs	182,132	-	182,132
Exploration expenditure	881,523	5,729,231	6,610,754
Other			
Acquisition costs	246,131	39,848	285,979
Exploration expenditure	1,785,643	857,663	2,643,306
Total Burkina Faso	**3,221,007**	**6,960,472**	**10,181,479**
Mali			
Acquisition costs	34,460	-	34,460
Exploration expenditure	1,175,636	420,739	1,596,375
Exploration costs written off d)	-	(1,407,761)	(1,407,761)
Total Mali	**1,210,096**	**(987,022)**	**223,074**
Liberia			
Pedsam c)			
Acquisition costs	279,437	-	279,437
Exploration expenditure	556,219	1,748,058	2,304,277
Other			
Acquisition costs	30,000	-	30,000
Exploration expenditure	1,770	91,026	92,796
Total Liberia	**867,426**	**1,839,084**	**2,706,510**
Total	**5,298,529**	**7,812,534**	**13,111,063**

a) Tankoro Property, Burkina Faso

On January 18, 2011, the Company entered an Option Agreement with Mr Birba Ousmane whereby the Company will have the right to earn a 100% interest in the property for consideration of $40,000 on execution of the agreement and meeting the first annual expenditure commitments of $140,000 required by the Government of Burkina Faso. Option Agreement payments of $60,000 are payable to Mr Birba Ousmane on the following anniversaries, sixth months, year one, year two and year three 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 1 Project, Burkina Faso

On November 26, 2011, the Company entered an Option Agreement with SA.BI.MA SARL whereby the Company 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 Company 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 Company 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 September 30, 2012, the Company’s equity interest was 50% (September 30, 2011: 0%).

d) Ouronia Permit write off

Following the assessment of exploration results, on-going holding costs and market for early stage exploration permits in south east Mali, the Company decided to terminate the option agreement with the vendor who holds the licence for the Ourounia permit. In accordance with the Company’s accounting policies, all costs including exploration and related administration expenditure which were being carried forward with respect to the Ourounia licence were written off to the statement of comprehensive loss.

4. PLANT AND EQUIPMENT

	September 30, 2012			
	Plant and Equipment	**Motor Vehicles**	**Office Equipment**	**Total**
	$	**$**	**$**	**$**
Opening net book value	115,911	282,822	144,430	543,163
Additions	67,203	75,389	72,215	214,807
Depreciation	(3,135)	(40,326)	(25,227)	(68,688)
Closing net book value	**179,979**	**317,885**	**191,418**	**689,282**
Cost	187,645	416,082	253,086	856,813
Accumulated depreciation	(7,666)	(98,197)	(61,668)	(167,531)
Closing net book value	**179,979**	**317,885**	**191,418**	**689,282**

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**
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. CAPITAL STOCK

a) Authorised Share Capital

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

b) Issued Share Capital

	Capital Stock	
	Number	**$**
Balance, December 31, 2011	51,513,312	22,979,644
Balance, September 30, 2012	**51,513,312**	**22,979,644**

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 stated 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.

Expressed in United States Dollars

d) Stock-based Compensation

For the period ended September 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)	$374,475
Balance to be recognised over remaining vesting period (ii)	$73,206
Estimated fair value per option	47.62c

(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	1,186,886
Fair value at September 30, 2012	2,274,613

	Broker Warrants	**Shareholder Warrants**
Total warrants issued	973,656	9,269,355
Exercise price	$0.90	$1.20
Estimated fair value of warrants (i)	276,521	1,998,101
Estimated fair value per warrant	28.40c	21.55c

(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:

	September 30, 2012
Risk-free interest rate	1.1%
Expected dividend yield	0%
Expected stock price volatility	95%
Expected warrant life in years	1 year 1 month

Expressed in United States Dollars

6. BASIC AND DILUTED LOSS PER SHARE

	Nine months ended September 30, 2012	**Nine months ended September 30, 2011**
	Cents per share	**Cents per share**
Basic Loss per share	8.3	8.8
Diluted loss per share	8.3	8.8
Net loss used in calculating basic/diluted loss per share	(4,275,115)	(2,702,314)
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:

	September 30, 2012 $	**December 31, 2011 $**
Less than one year	14,520	58,080
Between one and two years	72,680	72,680
Total	87,200	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, if any, issued in connection with this transaction will be subject to a mandatory 4-month hold period under applicable securities laws.

The Company has no contingencies (2011: Nil).

8. SUBSEQUENT EVENTS

On October 18, 2012 the Company completed its bought deal offering raising gross proceeds of C$12,000,000. A syndicate of underwriters purchased 13,333,334 Units at a purchase price of $0.90 per Unit. Each Unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one common share of Sarama at a price of $1.20 on the date that is two years after closing.

On November 14, 2012 the Company completed the sale of 616,500 common shares 1,000,000 Common Share purchase warrants, for gross aggregate proceeds to the Company of C$617,050, pursuant to the exercise of the over-allotment option granted to a syndicate of underwriters in connection with the Company'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 C$1.20 any time prior to 5:00 p.m. (Toronto time) on October 16, 2014.

On November 15, 2012 the Company closed the private placement of 555,556 units at a price of C$0.90 per Unit for gross proceeds of approximately $500,000. Each Unit is comprised of one common share of the Company and one-half of one Common Share purchase warrant. Each Warrant entitles the holder to purchase one Common Share at a price of C$1.20 at any time prior to 5:00 p.m. (Toronto time) on October 17, 2014.