Sarama Resources Ltd

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the Three and Nine Months periods ended September 30, 2011

(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") should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and the notes thereto of the Company for the three and nine months ended September 30, 2011 and the audited consolidated financial statements and the notes thereto of the Company for the period ended December 31, 2010. These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including IAS 34 "Interim Financial Reporting" and all amounts are expressed in United States dollars, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

These condensed consolidated financial statements and MD&A contain certain forward-looking statements relating to, but not limited to, the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate," "believe," "expect," "goal," "plan," "intend," "estimate," "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include mineral reserve and resource estimates, estimates of future production and the timing thereof and costs and timing of drilling campaigns, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated mineral resources and reserves, exploration and drilling success or failure, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

OVERVIEW

Sarama Resources Ltd ("Sarama") 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. We are taking a disciplined portfolio approach to our exploration and are pursuing an aggressive consolidation and exploration program targeting geology that has the potential to host significant gold mineralisation. The company has acquired interests in gold projects located in Burkina Faso, Mali and Liberia. 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 801 km² in the south-west of the country and 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. The company has extensive drill programs planned in Burkina Faso and has commenced significant exploration programs in Mali and Liberia.

EXPLORATION AND DEVELOPMENT ACTIVITIES

PROPERTY INFORMATION, RECENTLY COMPLETED ACTIVITIES AND OUTLOOK

Tankoro

- Tankoro permit is subject to an option agreement where the company has the right to earn up to a 100% interest with a trailing 1.5% Net Smelter Return Royalty ("NSRR") which the company has an option to acquire for $1 million.
- Permit-wide broad spaced and infill soil geochemistry programs were completed in second quarter.
- Soil geochemistry program identified a 20km x 4km corridor of anomalous gold in soil occurrences and a second corridor 10km long with anomalous gold in soil occurrences.
- Follow up scout reverse circulation ("RC") drill program to test veracity of the large scale geochemical anomalies completed early third quarter with a number of drill holes encountering significant mineralisation.
- Several small auger drilling programs were undertaken to test and confirm further anomalies.
- A drilling contract was signed at the end of Quarter 3 for a large scale RC program to follow up the scout drilling program.
- An exploration camp is being constructed to support field activities and a 10,000m RC program is planned on the permit.

Namare

- Namare permit is subject to an option agreement where the company has the right to earn up to a 100% interest with a trailing 1.5% NSRR.
- A small RC program was completed at the start of the quarter to test several geochemical anomalies with a number of drill holes encountering significant mineralisation. A small auger program was completed to test several anomalies.
- Geophysical data was reduced and interpreted and has identified four areas of interest that are coincident with geochemical anomalies within the permit.
- The Namare permit will be the subject of follow up exploration work including aircore ("AC") and RC drilling.

Bouni

- Bouni permit is subject to an option agreement where the company has the right to earn up to a 100% interest with a trailing 1% NSRR which the company has the right to buy for $1 million.
- A small RC program was completed at the start of the quarter to test several geochemical anomalies and a number of drill holes encountering significant mineralisation which will be the subject of further follow-up exploration work, including AC and RC drilling.

Bamako

- Bamako permit is subject to an option agreement where the company has the right to earn up to a 100% interest with a trailing 1.5% NSRR which the company has an option to acquire for $1 million.
- Broad spaced gold in soil geochemical survey completed identifying several kilometre-scale gold anomalies.
- Follow up AC and RC drilling is planned on this permit.

Other Burkina Faso properties

- Sarama 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 the subject of soil geochemical surveys.
- Sarama 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.

Liberia

- The Company has entered in to an earn in agreement to acquire an interest in three permits in Liberia with a total area of 1,200km^2 and subject to meeting prescribed milestones has the right to up to a 90% interest and subject to agreement with the vendor, 100% with a 1% NSR royalty.
- The Company commenced flying airborne geophysics on these permits during the quarter and it is planned to conclude this work in the fourth quarter of 2011.
- The Company has engaged a contractor to commence on ground mapping and soil and stream sediment sampling across the permits subject to the earn-in agreement.
- The Company has acquired reconnaissance licences covering 1,200km^2 and will commence mapping and survey work on these permits with the onset of the exploration season in the last quarter of 2011.

Mali

- The company has a number of permits under option and joint venture in Mali where basic reconnaissance work has been undertaken.
- The company is currently undertaking a 7,000m RC drilling program on its Ourounia permit in Mali, the results of which will be used to plan future exploration activities on this permit.

SELECTED FINANCIAL INFORMATION

The following information has been extracted from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") including IAS 34 "Interim Financial Reporting", for each of the quarters ended September 30.

	Three months ended 30 September		Nine months ended 30 September	Period from April 8, 2010 to September 30, 2010
	2011 $	2010 $	2011 $	$
Income				
Interest Income	19,151	3,020	52,126	3,020
Expenses				
Accounting and audit	60,062	-	131,926	-
Consulting and management services	398,087	-	673,519	-
Office and administration	294,708	56,893	728,699	72,908
Depreciation	3,509	-	15,571	-

Share-based payments	219,873	-	1,070,543	-
Foreign exchange loss	281,908	88	134,182	88
Loss for the period	1,238,996	53,961	2,702,314	69,976

Interest income

During the nine months ended September 30, 2011, the Company earned interest of $52,126. 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.

Accounting and audit

The increase in accounting and audit fee increase reflects the change in the administration of the Company between the two periods. The Company was in the start-up stage – accounting support was being provided free of charge and the Company was yet to appoint auditors.

Office and administration

These costs represent the costs incurred maintaining the administration function in Perth, Western Australia. These costs have increased due to the hire of the two named executive officers (Vice President – Corporate Development and Chief Financial Officer) and two staff, the lease of an office and office equipment.

Depreciation

Depreciation has increased due to the Company purchasing office equipment in the 9 months to September 30, 2011.

Share-based payments

The share-based payments in the current period relate to the two option issues to directors, employees and consultants. The first 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%

There were no options issued in the quarter ending September 30, 2010.

Foreign Exchange Loss

These amounts represent realised and unrealised exchange losses on cash balances held and creditors paid in the period.

EXPLORATION AND EVALUATION EXPENDITURES

During the nine month period ended 30 September 2011, the Company spent $2,619,297 (2010 – $166,956) on exploration activities and $283,247 on property, plant and equipment (2010 – $92,194).

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 finance through the issue of shares.

The Company is at an early stage of development and, as is common with many exploration companies, the Company will raise finance through the issue of shares when required and the Company continues to believe such financing will be available as and when 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 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).
2. 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.

As at September 30, 2011 the Company had working capital of $5,452,998.

CONTRACTUAL OBLIGATIONS

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

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

On September 21, 2011, the Company entered into an agreement with PPI Burkina SARL ("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 September 30, 2011)

Common shares outstanding	32,974,601
Options issued to directors, executive officers, employees and consultants	2,925,000
Common shares outstanding assuming exercise of all options	35,899,601

RELATED PARTY TRANSACTIONS

	Nine months ended September 30, 2011	Period from April 8, 2010 to September 30, 2010
Amount paid for consulting services to a consulting firm which the current Chief Financial Officer "("CFO") is a Principal (Refer note (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 condensed consolidated interim 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 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 most recent three months ended September 30, 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 International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("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, 2013

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

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

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