SARAMA RESOURCES LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the year and quarter ended December 31, 2012

(April 30, 2013)

(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"** or "**Sarama**") should be read in conjunction with the accompanying audited consolidated annual financial statements and the notes thereto of the Company for the year ended December 31, 2012. These consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and all amounts are expressed in United States dollars, unless otherwise stated.

This MD&A is current as at April 30, 2013. Additional information relating to the Company is available on SEDAR at www.sedar.com under the Company's profile.

FORWARD-LOOKING STATEMENTS

These consolidated financial statements and MD&A contain "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. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

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.

Assumptions have been made regarding, among other things: the Company's ability to carry on exploration and development activities, the Company's ability to meet its obligations under its property agreements, the timing and results of drilling programs, the discovery of mineral resources and mineral reserves on the Company's mineral properties, the timely receipt of required approvals, the price of gold, the costs of operating and exploration expenditures, the Company's ability to operate in a safe, efficient and effective manner and the Company's 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 a gold exploration company whose principal business objective is to acquire, explore and develop gold properties in West Africa. To date, the Company has acquired interests in various properties located in Burkina Faso, Liberia and Mali with total landholdings exceeding 6,000 km². The Company's largest and most active holdings are located in Burkina Faso within the South Houndé Project which covers an area of approximately 1,600 km² in the south-west of the country. The Company holds either 98 to 100% or has the option to acquire 98 to 100% in the underlying permits. Sarama 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, 2012, the Company undertook significant field exploration programs in Burkina Faso and Liberia with limited activity in Mali. Large drilling programs were undertaken in Burkina Faso, including 13,500 metres of diamond drilling, 50,800 metres of reverse-circulation ("RC") drilling and 23,900 metres of aircore ("AC") and rotary air blast ("RAB") drilling. All of the diamond and approximately half of the RC drilling will be included in the estimation of a maiden resource at the South Houndé Project which is scheduled for completion in September 2013. The balance of the drilling was used in exploration and scout drilling which was undertaken on regional targets within the South Houndé Project area including the Tankoro, Bamako and Serakoro 1 properties. Following the completion of a successful test grid at the Tankoro property, the Company undertook a ground-based Induced Polarisation ("IP") geophysics program comprising 91 line-kilometres covering 9 kilometres of strike of the mineralised corridor containing the MM Prospect.

The Company continued to review opportunities and, in line with its consolidation plans, entered into an agreement to acquire two permits covering 338 km^2 in the Banfora greenstone belt in Burkina Faso. Soil sampling programs, mapping and targeting work was completed by year-end and initial scout drilling programs commenced late in the first quarter of 2013.

Through the course of 2013, the Company anticipates rationalising its permit holdings in Burkina Faso in line with a tightening of exploration focus and costs. Exploration activity for 2013 will be focused on the South Houndé Project area and principally the MM Prospect and targets along the Tankoro mineralised corridor. Drilling in the first quarter of 2013 was primarily focused on the MM Prospect and near-field extensions along the corridor. A small follow-up program on the Serakoro 1 property and initial scout drilling on the newly acquired Banfora belt properties were also completed.

In Liberia, airborne geophysical surveys were completed in February 2012 and soil sampling programs were completed across the Cape Mount, Gbarpolu and Grand Bassa properties through the course of the year with approximately 40,000 samples being taken and approximately 1,000 km^2 covered. A 9 kilometre-long gold-in-soil anomaly has been defined in the southern portion of the Cape Mount property. Following the completion of soil sampling, trenching programs were commenced. In 2012, 2,091 metres of trenches were completed and these programs have continued in 2013 and will be ongoing through the course of the year. Trenching has delivered encouraging results and an initial drill program is being planned following the end of the upcoming rainy season. In line with regulatory requirements, the Company has relinquished a portion of its landholdings in Liberia, reducing by half the area held in the Gbarpolu and Grand Bassa properties as part of the licence renewal process. Following preliminary reconnaissance work, the Company also decided not to renew the Voinjama reconnaissance licence. The Company has also been granted a reconnaissance licence immediately to the east of its Cape Mount property covering the strike extension of the 9 kilometre-long gold-in-soil anomaly identified in the south of the property.

The Company undertook limited exploration activities in Mali and continued to rationalise its landholding. The principal focus is the Kandiolé Sud property which is situated in the southern part of the West Mali gold belt and within 15 kilometres of the new Fekola discovery of Papillion Resources. The Company has an option to acquire a 100% interest in the property. The results of a first-pass gold-in-soil sampling program showed a number of areas within the permit with elevated gold values and exploration activity in 2013 will comprise mapping and a ground-based geophysics program. Elsewhere in Mali, the Company took the decision to terminate the option agreement for the Ourounia property due to inconclusive results from an earlier scout drill program, on-going holding costs and state of the market for early stage exploration permits in Southern Mali.

EXPLORATION AND DEVELOPMENT ACTIVITIES

PROPERTY INFORMATION, RECENTLY COMPLETED ACTIVITIES AND OUTLOOK

Burkina Faso

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 Company continued to assess opportunities and in the middle of 2012, entered into an agreement to acquire two contiguous exploration permits in the Banfora Belt, bringing the Company's Burkina Faso land holdings to approximately 3,100 km^2. The Company continues to review its portfolio with the intent of rationalising non-core properties to concentrate its exploration focus. The Company will continue to assess opportunities along all parts of the value-chain and continue to consolidate around its most attractive properties in the southern portion of the Houndé belt.

Most exploration activity in Burkina Faso has focused on the Tankoro property. Soil sampling and initial scout drilling in 2011 identified a number of anomalies, with the most significant being the MM Prospect. The Company completed its planned and expanded RC drilling programs in the first half of 2012 drilling a total of 35,000 metres in the six months to the end of June. Following excellent initial drilling results on the MM Prospect, the Company mobilised a diamond drill rig which completed 11,000 metres in the first half of 2012. A RAB rig was introduced into the drill program in April 2012 following which 14,000 metres of drilling was completed across soil geochemistry targets within a 5 kilometre radius of the MM Prospect. The Company ceased field activities in the third quarter with the onset of the rainy season and recommenced work early in the fourth quarter. Fourth quarter diamond drilling was comprised of infill and extensional drilling at the MM Prospect, bringing total drill metres for 2012 to 13,500 metres. The RC rig completed a further 15,800 metres of infill and extensional drilling at the MM Prospect and scout and exploration drilling at other properties within the South Houndé Project bringing total RC drilling for 2012 to 50,900 metres. Total RAB and AC drilling for the year was 23,800 metres and was focused on testing gold-in-soil targets on properties within the South Houndé Project. Outlined below is a summary of the status of the principal properties in the South Houndé Project.

Tankoro

In early 2011, the Company entered into an option agreement to acquire the Tankoro property. The Company had the right to earn up to a 100% interest with a trailing 1.5% Net Smelter Return ("NSR") royalty, which the Company had an option to acquire for $1 million at any time after the Company has taken ownership of the property. In April 2013 the Company announced that it had exercised its option to acquire the 100% interest in the Tankoro property and now has the exploration permit registered in the name of one if its subsidiaries. The Company still retains the right to acquire the NSR for $1 million.

In 2011, initial permit-wide soil sampling programs identified two corridors of anomalous gold-in-soil occurrences. One, a 20 kilometre x 4 kilometre corridor striking north-east and, the second, a 10 kilometre-long corridor striking north-south. Following a successful scout RC drill program in 2011, a large-scale follow-up RC program was commenced in January 2012, followed by diamond drilling in February 2012 and the introduction of a RAB rig in April 2012. The 50-man exploration camp established in 2011 to support field activities was expanded in the first quarter of 2012 to accommodate 80 exploration personnel.

Following excellent initial RC drilling results at the MM Prospect, a diamond drill rig was mobilised to undertake an initial 2,800 metre drill program with the primary objective of gaining geological information and determining the nature and orientation of mineralisation. The diamond drill program was run concurrently with the RC program and based on both diamond and RC drilling results was extended to 11,000 metres, and completed in the first half. Following the mid-year break, the program was extended to 13,500 metres and completed by the end of 2012. The program included three deeper holes which demonstrated down-dip continuity of the mineralisation by returning significant intersections at 250 metres vertical depth. The drill program undertaken in the last quarter of 2012 predominantly targeted at infill and extensional areas at the MM Prospect, resulting in an extension to the strike length of the mineralised system to 1.9 kilometres.

Diamond and RC drilling in the first quarter of 2013 has focused on near field extensions of the MM Prospect, both along strike and in the footwall and hangingwall lodes. This drilling has encountered new areas of mineralisation which are not yet understood fully and will be the subject of further investigation and drilling. In the fourth quarter of 2012, an IP test grid was undertaken over the known mineralisation of the MM Prospect and the results showed a reasonable level of correlation between mineralisation defined by drilling and certain geophysical signatures. Following the success of the initial test grid, an expanded IP survey, covering a strike length of 9 kilometres was undertaken to the north and south. The results of this survey are being used successfully to generate drill targets and improve the understanding of the geological setting.

The Company is planning to complete a maiden resource estimate late in the third quarter of 2013. The resource will cover the MM and Phantom Prospects and will use diamond and RC drill data. The Company is planning to undertake preliminary metallurgical test work and will publish those results with the maiden resource. The 2013 drill programs are expected to be completed in the first half of 2013 with the second quarter drilling being planned to support resource modelling and follow up certain drill results from the first quarter of 2013. For the second half of 2013 exploration activities in Burkina Faso will be reduced to geophysical programs, mapping and geological interpretations with post-rainy season drill programs being deferred to January 2014. This will allow time for interpretation of field data, geological modelling and planned geophysics programs.

The 14,000 metre RAB program designed to test gold-in-soil anomalies within a 5 kilometre radius of the MM Prospect completed in the second quarter of 2012 provided valuable information for planning future exploration in the 20 kilometre-long Tankoro structural corridor. A further 9,800 metres of RAB and AC drilling was completed in the fourth quarter of 2012 to test soil geochemical anomalies along the Tankoro corridor as well as on properties further afield but still within the South Houndé Project. AC drilling has continued in 2013 and has been used to test IP anomalies in the Tankoro structural corridor as well as soil anomalies on the Serakoro 1 property, the recently acquired Banfora belt properties and other properties immediately adjacent to the Tankoro property.

Namaré

In 2010, the Company entered into an option agreement to acquire a 100% interest in the Namaré property with the vendor retaining a trailing 1.5% NSR royalty.

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

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 property will be the subject of follow-up exploration work including RAB and RC drilling. Limited work was undertaken on the property in 2012 and programs for 2013 are yet to be finalised.

Bouni

The Company entered into an option agreement to acquire the Bouni property in 2010. The Company has the right to earn up to a 100% interest with the vendor retaining a trailing 1% NSR royalty which the Company has an option to acquire for $1 million at any time after the Company has taken ownership of the property.

In 2010, soil sampling survey work was undertaken on geologically prospective areas within the property, identifying 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. Limited work was undertaken on the property in 2012 and programs for 2013 are yet to be finalised.

Bamako

In 2011, the Company entered into an option agreement to acquire the Bamako property. The Company has the right to earn up to a 100% interest with the vendor retaining a trailing 1.5% NSR royalty which the Company has an option to acquire for $1 million at any time after the Company has taken ownership of the property.

A broad-spaced soil geochemical survey was completed and identified several kilometre-scale gold anomalies. 3,800 metres of scout RC drilling was undertaken on this property during the second quarter of 2012, with several significant intercepts requiring follow-up. Programs for 2013 are yet to be finalised however field reconnaissance has identified new artisanal workings of significance and intercepts achieved in the 2012 RC program warrant follow-up.

Serakoro 1

Late in 2011, the Company acquired gold exploration rights over the Serakoro 1 property, which has a total area of 250 km² and is located in the Houndé greenstone belt in south-western Burkina Faso. Initial soil sampling undertaken in the first quarter of 2012 delineated two large gold-in-soil anomalies measuring 25 kilometres and 14 kilometres in length. In the second quarter, following assessment of the anomalies, 9 lines of RC scout drilling totalling 7,000 metres were completed. This scout drilling generated a number of encouraging results including 27 metres @ 3.71g/t and 13 metres @ 2.12 g/t plus numerous other lower grade intercepts warranting follow-up. AC drilling in the first quarter of 2013 generated further encouraging results over these areas. The RC rig completed a small drill program toward the end of the first quarter in 2013 and the results will be assessed in conjunction with AC drill results to plan further work. Exploration has been limited because of the scale of the soil anomalies identified on this property.

Other Burkina Faso Properties

The Company has rights over a number of other properties in Burkina Faso and these are at various stages of exploration. Some are in the early reconnaissance stage and others are the subject of soil geochemical surveys. The results of these surveys will be interpreted and used for future targeting of exploration activity.

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.

The Company continued to review opportunities to acquire permits as part of its on-going plan to consolidate and improve its landholdings in Burkina Faso. As part of this strategy, the Company has acquired a 100% interest in two contiguous exploration properties located in the prospective Banfora greenstone belt. The properties cover a combined land area of 338 km^2 and are adjacent to and along trend from the Company's existing Tiéfora Nord exploration property. Previous exploration work conducted by the vendor of the properties includes a 19-hole, 2,300 metre scout RC drill program, of which 8 holes returned significant intercepts including 13 metres @ 2.87g/t, 4 metres @ 10.59 and 17 metres @ 1.18 g/t. The Company plans to undertake field work to confirm these results. An initial gold-in-soil sampling program has been completed and this has been used for small first-pass AC and RC drill programs.

The Company will continue to assess opportunities that fit with its broader strategic objectives and review its landholdings on an ongoing basis. Through the course of 2013 the Company anticipates rationalising its landholding in Burkina Faso to increase exploration focus and tighten up operating expenditure.

Liberia

In the second quarter of 2011, the Company entered into an earn-in agreement to acquire an interest in three properties, located in Grand Cape Mount, Gbarpolu and Grand Bassa Counties covering a total area of 1,202 km^2. The Company commenced airborne geophysical surveys on these permits in 2011 with completion in February 2012.

The Company commenced on-ground mapping and soil sampling across these properties in the fourth quarter of 2011. Mapping is ongoing while first-pass soil sampling programs were substantially completed across the Cape Mount, Gbarpolu and Grand Bassa propertis through the course of 2012 with approximately 40,000 samples being taken covering approximately 1,000 km^2. Initial assay turn-around time proved problematic in the first half of 2012 as the Company was using a recently established assay laboratory in Monrovia. After the initial problems were rectified the assay turn-around times improved.

Soil sampling on the Cape Mount property in the west of Liberia delineated a 9 kilometre-long gold-in-soil anomaly in the southern portion of the property. The 9-kilometre long Cape Mount gold-in-soil anomaly is situated approximately 10 kilometres to the north-west of the 1.7 million ounce New Liberty Project of Aureus Mining Inc.

Following the completion of soil sampling program, trenching commenced with 2,091 metres of trenches completed in 2012. These programs will continue through the course of 2013. Trenching has delivered encouraging results at Cape Mount and an initial drill program is being planned after the completion of the impending rainy season. Trenching will continue on all three permits to improve geological knowledge and identify drill targets, the first of which is expected to be on Cape Mount. Initial trenching on the Gbarpolu property has also returned encouraging results, however extensive mapping and follow up work is still required. Soil sampling has only recently been completed on the Grand Bassa property with trenching work currently being planned.

In line with regulatory requirements, the Company relinquished a portion of its landholdings at the end of the first quarter of 2013. The Gbarpolu and Grand Bassa licences were reduced in area by 50% as part of the permit renewal process. Work undertaken throughout 2012 was targeted, in part, to identify the areas to be relinquished. Following preliminary reconnaissance work, the Company has also decided not to renew the Voinjama reconnaissance licence. However, it has been granted a licence immediately to the east of the Company’s Cape Mount property covering a potential strike extension to the 9 kilometre long gold-in-soil anomaly identified in the south of the Cape Mount property.

Mali

The Company undertook limited exploration activities in Mali during 2012 and continued to rationalise its landholding. During the third quarter of 2012, the Company took the decision to terminate the option agreement for the Ourounia property due to inconclusive drill results and on-going holding costs.

The principal focus in Mali is the Kandiolé Sud property which is situated in the southern part of the West Mali gold belt and within 15 kilometres of the new Fekola discovery of Papillion Resources. The Company has an option to acquire a 100% interest in the property.

A permit-wide gold-in-soil sample program was undertaken on Kandiolé Sud in the first quarter of 2012 and returned numerous elevated gold grades in soil and termite mound samples. At the end of the first quarter of 2013, the Company commenced a ground based IP program on the eastern portion of the Kandiolé Sud property, the results of which will be used to plan further work and priorities for this property.

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. On April 8, 2012, the President of Mali, Amadou Touré formally resigned and an interim government, led by the former President of the General assembly, Dioncounda Traoré took control. Since the coup d’état there has been instability in the regional areas of Mali. In January 2013, the French military intervened in the north of Mali to liberate areas where secessionist rebels and terrorist groups had taken control. This operation has achieved a high level of success and is ongoing in its mission to deal with the rebel forces and stabilise the north of the country.

The Company has been monitoring the political 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 has not been affected. Accordingly, there has been no adjustment made to the carrying value of its assets or any provisions made in the financial statements relating to the political events in Mali.

SELECTED ANNUAL INFORMATION

The following table includes selected financial information since incorporation of the Company, which occurred on April 8, 2010.

	Year ended December 31, 2012 $	Year ended December 31, 2011 $	Period from April 8, 2010 to December 31, 2010 $
Interest income	67,455	68,608	24,576
Net loss	7,386,131	1,498,805	470,751
Basic and diluted loss per share (cents)	13.6	4.4	5.1
Total assets	32,439,952	23,567,233	7,874,691
Total liabilities	4,568,086	1,489,315	104,115

The Company incurred a net loss for the year ending December 31, 2012 of $7,386,131. The primary drivers of the loss were the costs incurred in maintaining the administration function in Perth, Western Australia ($2,562,539), the revaluation at 31 December 2012 of the warrants issued and new warrants issued ($3,136,711), the write-off of exploration expenditure in Mali ($1,407,762) and the costs incurred in issuing options to directors and management ($520,091).

The warrant liability represents the cost to the Company of the warrants issued to shareholders and brokers as part of the initial public offering in November 2011 and warrants issued in the current year as part of the capital raising in October and November 2012. The liability is revalued at the end of each quarter and movements are recorded in the Statement of Comprehensive Loss.

RESULTS OF OPERATIONS

	Year ended December 31, 2012	Year ended December 31, 2011
Interest income	(67,455)	(68,608)
Fair value (gain)/loss on warrants liability	3,136,711	(1,885,044)
Accounting and audit	75,101	225,302
Salaries	1,087,119	674,356
Professional Fees	247,612	327,196
Office and General	463,091	193,133
IPO/Raising costs	283,311	444,385
Travel	180,378	299,719
Insurance	34,393	29,633
Directors fees	168,517	-
Exploration costs written off	1,407,762	-
Stock-based compensation	520,091	1,070,543
Foreign exchange (gain)/loss	(173,516)	176,349
Depreciation	23,016	11,841
Net loss	**(7,386,131)**	**(1,498,805)**

Interest income

Interest income is earned on funds held in an Australian Dollar 3-month term deposit and the overnight, 7-day and 1-month Canadian Dollar term deposit and funds held on the transactional accounts across the various currency accounts held by the Company.

Fair value loss/(gain) on warrant liability

The Company issued a total of 10,243,011 warrants as part of the offer to shareholders and brokers during the initial public offering ("IPO") process. In accordance with IFRS, value was ascribed at the time of IPO, being November 2, 2011 using a Black-Schöles Option Pricing Model. An additional 7,944,445 warrants were issued as part of the capital raising that occurred in October and November 2012 bringing the total warrants issued to 18,187,457.

The warrants are revalued each reporting period using the Black-Schöles Option Pricing Model. For the year ended December 31, 2012 the warrants were revalued to $4,224,438 ($2,274,613 at September 30, 2012) which is carried as a financial liability on the balance sheet. For the year ended December 31, 2012 the revaluation resulted in the recognition of a fair-value loss on warrants carried at fair value through the profit and loss of $3,136,711. The loss includes the initial recognition of the additional warrants issued in October 2012. The movement in the valuation relates mainly to the fluctuation of the share price between the valuation dates.

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 (primarily funds held in Canadian dollars, which represent the majority of the Company's cash balance).

General and administration

General and administration expenses have increased by $354,798 to $2,539,522 compared to the year ended December 31, 2012, and compared to $2,193,724 for the year ended December 31, 2011. General and administrative expenses represent the costs incurred in maintaining the administration function in Perth, Western Australia and associated listing costs including investor relations. The increase mainly relates to the following movements:

- Director's fees for 2012 of $168,517 compared to $Nil in 2011. Directors had originally agreed to waive their directors fees until the Company was listed on the stock exchange. With the Company listing in November 2011, director's fees commenced from January 1, 2012.
- Accounting and audit costs decreased by $150,201 to $75,101. In 2011 the Company used an external accounting firm and these services have now been brought in-house.
- Travel has decreased by $119,341 to $180,378 due to improved management oversight of airfares and associated costs.
- Salaries increased by $412,763 to $1,087,119 due to 2012 being the first full year of operation in which the Company had a fully established head office.
- Office and general increased by $269,958 to $463,091 due to the following:
    - Increase in investor relations expenditure including costs associated with conferences and promotional material of $124,076 from $Nil due to a full year being listed on the TSXV.
    - An increase in listing costs (including share registry, TSXV listing and technical fees) of $118,159 to $120,167 due to a full year of being listed on the TSXV.
    - Increase in office rental of $30,605 to $59,840 due to the Perth office lease running for the full year, compared to the five months for 2011.

- A decrease of internet and website costs of $9,053 to $2,441. The website was designed in 2011 and only required maintenance during 2012.

- IPO/raising costs have decreased by $161,074 to $283,311 due to the bought deal financing in October 2012 which was less costly than the IPO in November 2011.
- Professional fees have decreased by $79,584 to $247,612 due to management's focus on reducing costs and utilising in-house knowledge over external consultants.

Exploration costs written 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 totalling $1,407,762 which were being carried forward with respect to the Ourounia licence were written off to the Statement of Comprehensive Loss.

Stock-based compensation

On February 20, 2012, the Company issued 1,125,000 employee options to directors, executives, employees and a consultant.

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

	February 20, 2012
Volatility	95%
Expected option life	2.5 – 3 years
Risk-free interest rate	1.14%
Dividend yield	0%

The options vesting conditions were that 50% vested immediately and 50% vest 12 months from the date of grant. Accordingly the stock-based compensation for the non-vested component is recognised progressively through the Statement of Comprehensive Loss. The fair value of the stock options granted and expensed was estimated at $520,091 and at December 31, 2012, the unvested portion not yet recognised was $38,195.

Depreciation

Depreciation relates to the assets held by the head office and has increased by $11,175 to $23,016 inline with the increase in the number of fixed assets.

EXPLORATION AND EVALUATION EXPENDITURE

The Company capitalises all acquisition and exploration costs associated with the property until the property is placed into production, sold or abandoned. The Company capitalised $11,111,437 (2011 – $5,298,529) for the year ended December 31, 2012 on exploration and evaluation activities, and $180,216 on property, plant and equipment (2011 – $543,163). Exploration costs have increased primarily due to increased drilling activity and associated costs in Burkina Faso.

Exploration and evaluation expenditure	**Burkina Faso $**	**Mali $**	**Liberia $**	**Total $**
Geochemistry	1,352,123	23,110	1,334,711	2,709,944
Laboratory costs	188,187	8,846	-	197,033
Drilling	5,131,666	-	-	5,131,666
Geophysics	82,947	-	286,962	369,909
Technical services	20,855	-	9,390	30,245

Land tenure	372,079	47,435	-	419,514
Administration	2,654,646	486,594	519,648	3,660,888
Exploration expenditure written off	-	(1,407,762)	-	(1,407,762)
Total for the year ended December 31, 2012	9,802,503	(841,777)	2,150,711	11,111,437
Cumulative exploration and evaluation expenditure at December 31, 2011	3,221,007	1,210,096	867,426	5,298,529
Cumulative exploration and evaluation expenditure as at December 31, 2012	13,023,510	368,319	3,018,137	16,409,966

SUMMARISED QUARTERLY RESULTS

The Company became a reporting issuer on November 2011. Quarterly information has been prepared for the quarters back to and including December 31, 2011.

Summarised quarterly results for the past five quarters are:

	Quarter ended				
	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011
Other income	$8,297	$12,261	$18,435	$ 28,462	$ 15,982
Net profit/(loss) for the period	$(3,117,424)	$(2,401,075)	$1,856,052	$(3,723,684)	$1,203,509
Basic profit/(loss) per share	(5.5c)	(4.7c)	3.8c	(7.2c)	2.7c
Diluted profit/(loss) per share	(5.5c)	(4.7c)	3.8c	(7.2c)	2.7c

QUARTERLY ANALYSIS

The main driver for the movement between the loss for the December 2012 quarter of $3,117,424 and the gain of $1,203,509 for the December 2011 quarter is the increase in the warrant liability. This increase is due to the recognition of the additional warrants issued in October and November 2012 and the increase in the share price since December 2011. The revaluation in December 2011 quarter of 2011 resulted in a gain of $1,885,044 whilst the Company recognised a loss in the quarter of December 2012 of $1,949,825.

Administration expenditure has increased by $277,632 namely due to an increase in salaries of $168,533 in the December 2012 quarter as a result of increased staff numbers. Directors fees have increased by $71,293 in the December 2012 quarter compared with $Nil for the December 2011 quarter. TSXV listing fees of $40,712 were incurred in the December 2012 quarter compared with $Nil in the December 2011 quarter as the Company was listed for all of 2012 compared to only 2 months of 2011.

LIQUIDITY AND CAPITAL RESOURCES

At this point in time, 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 and the Company continues to believe such financing will be available, as and when required.

As at December 31, 2012 the Company had net working capital of $14,962,959 (which excludes the warrant financial liability $4,224,438).

On October 16, 2012 the Company completed its bought-deal offering raising gross proceeds of $12,000,000 Canadian Dollars (“C$”). 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 C$1.20 on the date that is two years after closing.

On November 14, 2012 the underwriters exercised their overallotment option pursuant to the bought-deal above. This resulted in the Company receiving gross aggregate proceeds of C$617,050 and the underwriters purchasing an additional 616,500 common shares and 1,000,000 warrants. The warrants have the same terms as disclosed above as part of the bought-deal.

On November 15, 2012 the Company completed a private placement raising gross proceeds of C$500,755. The Company issued 555,556 units at a purchase price of C$0.90 per unit. Each unit was comprised of the same securities as mentioned in the description of the bought-deal disclosed above.

USE OF PROCEEDS

The Company recently updated its forecast in the "Use of Proceeds" table in the Prospectus dated October 10, 2012. The column headed "Actual" reflects costs to December 31, 2012.

12 Month Expenditure Plan	Budget $	Actual $
Burkina Faso		
General and administration and permit payments	1,800,000	728,221
Drilling	3,631,250	1,999,316
Soils, trenching & mapping	243,750	2,558
Geophysics	550,000	82,947
	6,225,000	**2,813,042**
Liberia		
General and administration and permit payments	400,000	91,030
Drilling	800,000	-
Soils, trenching & mapping	336,000	220,212
	1,536,000	**311,242**
Mali		
General and administration and permit payments	115,000	119,437
Soils, trenching & mapping	70,000	-
	185,000	**119,437**
Total Exploration	**7,946,000**	**3,243,721**
Head office general & administration	1,800,000	692,535
Total Expenditure	**9,746,000**	**3,936,256**
Working Capital	**8,254,000**	**8,254,000**

CONTRACTUAL OBLIGATIONS

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

	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

On June 28, 2012 the Company entered into a contract to purchase two new properties in the Banfora greenstone 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, if any, in Sarama issued in connection with this transaction will be subject to a mandatory 4-month hold period required under applicable securities laws.

COMMON SHARE DATA (As at April 30, 2013)

Common shares outstanding	66,018,702
Options issued to directors, executive officers, employees and consultants	5,055,000
Warrants issued to shareholders and agents	18,187,457
Common shares outstanding assuming exercise of all options and warrants	89,261,159

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 mineral 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. risks related to the 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 risks;
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;
21. governance risk, including conflicts of interest;
22. price volatility in publicly traded securities
23. dilution;
24. dividends;
25. passive foreign investment corporation classification; and
26. political risk.

For a detailed explanation of each of these risks number 1 to 25, please refer to page 34 of the Company's annual information form dated August 23, 2012. The Company's annual information form is published at www.sedar.com.

The Company has now added political risk to its list of key risks and uncertainties. Recent events in Mali have highlighted this.

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 expenditure and stock-based compensation.

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 amounts.

The Company calculates the value of stock-based compensation using the Black-Schöles 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, 2012, 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, 2011. 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; and

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.

(Signed) *“Andrew Dinning”*

Andrew Dinning
President and Chief Executive Officer

(Signed) *“Nicholas Longmire”*

Nicholas Longmire
Chief Financial Officer