Sarama Resources Ltd

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
MARCH 31, 2013

(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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Condensed Consolidated Statement of Financial Position
Expressed in United States Dollars
(Unaudited)

	Note	As at March 31, 2013 $	As at December 31, 2012 $
ASSETS			
Current assets			
Cash and cash equivalents		11,074,488	14,728,740
Security deposit		136,841	138,298
Accounts receivable		74,269	73,129
Prepayments		14,779	366,440
Total current assets		11,300,377	15,306,607
Non-current assets			
Exploration and evaluation assets	4	19,693,087	16,409,966
Plant and equipment	5	714,758	723,379
Total non-current assets		20,407,845	17,133,345
Total assets		31,708,222	32,439,952
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		768,807	343,648
Financial liabilities	6(e)	1,221,084	4,224,438
Total current liabilities		1,989,891	4,568,086
Total non-current liabilities		-	-
Total liabilities		1,989,891	4,568,086
EQUITY			
Share capital	6(b)	35,493,423	35,493,423
Stock-based compensation reserve		1,855,880	1,590,634
Foreign currency translation reserve		(72,858)	143,496
Deficit		(7,558,114)	(9,355,687)
Total equity		29,718,331	27,871,866
Total liabilities and equity		31,708,222	32,439,952

These financial statements are authorised for issue by the Board of Directors on May 30, 2013.

They are signed on the Company's behalf by:

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

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

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

Expressed in United States Dollars

	Note	Three month period ended March 31, 2013 $	Three month period ended March 31, 2012 $
Income			
Interest income		29,165	28,462
Foreign exchange gain		-	322,487
Fair value gain on warrants carried at fair value through profit and loss	6(e)	3,003,354	-
		3,032,519	350,949
Expenses			
Accounting and audit		15,469	12,394
Stock-based compensation		265,246	302,065
Salaries		409,713	279,271
Directors fees		34,176	64,300
Professional fees		14,651	7,913
Office and general		112,117	132,012
Travel		86,676	79,076
IPO/raising costs		-	36,408
Depreciation		8,627	5,305
Foreign exchange loss		252,850	-
Insurance		35,421	35,775
Fair value loss on warrants carried at fair value through profit and loss		-	3,120,114
Total expenses		1,234,946	4,074,633
Profit/(loss) before income tax		1,797,573	(3,723,684)
Income tax expense		-	-
Profit/(loss) for the period		**1,797,573**	**(3,723,684)**
Other comprehensive income/(expense)			
Exchange differences on translation of foreign operations		(216,354)	(184,121)
Comprehensive income/(loss) for the period		**1,581,219**	**(3,907,805)**
Basic and diluted earnings/ (loss) per common share (cents)	7	3.10c	(7.22)c

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

Expressed in United States Dollars

	Three months ended March 31, 2013 $	Three months ended March 31, 2012 $
Cash flows used in operating activities		
Payments to suppliers and employees	(634,408)	(444,802)
Interest received	29,165	28,462
Net cash used in operating activities	(605,243)	(416,340)
Cash flows used in investing activities		
Purchase of plant and equipment	(7,750)	(126,556)
Payments for exploration and evaluation	(2,789,866)	(2,649,563)
Net cash used in investing activities	(2,797,616)	(2,776,119)
Cash flows from financing activities		
Proceeds from issues of equity securities	-	-
Net cash generated by financing activities	-	-
Net decrease in cash and cash equivalents	(3,402,859)	(3,192,459)
Net foreign exchange differences	(251,393)	138,365
Cash and cash equivalents at beginning of the period	14,728,740	17,091,005
Cash and cash equivalents at end of the period	**11,074,488**	**14,036,911**

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

Condensed Consolidated Statement of Changes in Equity

Expressed in United States Dollars
(Unaudited)

For the three months ended March 31, 2012 and March 31, 2013 respectively	Number of common shares	Share capital (note 6)	Stock - based compensation reserve	Foreign currency translation reserve	Deficit	Total
		$	$	$	$	$
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	-	-	-		(3,723,684)	(3,723,684)
Exchange differences on translation of foreign operations	-	-	-	(184,121)	-	(184,121)
Total comprehensive loss for the period	**-**	**-**	**-**	**(184,121)**	**(3,723,684)**	**(3,907,805)**
Transactions with owners in their capacity as owners:						
Stock options granted	-	-	302,065	-	-	302,065
Balance at March 31, 2012	**51,513,312**	**22,979,644**	**1,372,608**	**(186,834)**	**(5,693,240)**	**18,472,178**
Balance at January 1, 2013	**66,018,702**	**35,493,423**	**1,590,634**	**143,496**	**(9,355,687)**	**27,871,866**
Profit attributed to members of the company	-	-	-	-	1,797,573	1,797,573
Exchange differences on translation of foreign operations	-	-	-	(216,354)	-	(216,354)
Total comprehensive income for the period	**-**	**-**	**-**	**(216,354)**	**1,797,573**	**1,581,219**
Transactions with owners in their capacity as owners:						
Stock-based compensation	-	-	265,246	-	-	265,246
Balance at March 31, 2013	**66,018,702**	**35,493,423**	**1,855,880**	**(72,858)**	**(7,558,114)**	**29,718,331**

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

1. NATURE OF OPERATIONS

Sarama Resources Ltd (the "Company" or "Sarama") 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, 2012.

The board of directors of the Company approved these condensed consolidated interim financial statements on May 30, 2013.

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

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") as 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. CHANGES IN ACCOUNTING POLICIES

IFRS 10 *Consolidated Financial Statements ("*IFRS 10") – IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more of the entities. The Company reviewed its consolidation methodology and determined that the adoption of IFRS did not result in a change to the consolidation status of its subsidiaries.

IFRS 11 *Joint Arrangements ("*IFRS 11") – IFRS 11 presents a new model for determining whether should account for joint arrangement using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. Sarama reviewed its joint arrangements and determined that the adoption of IFRS 11 did not result in any changes in accounting for its joint arrangements.

IFRS 12 *Disclosure of Interest in Other Entities ("*IFRS 12") – IFRS 12 aggregates and amends disclosure requirements included within other standards. The standard requires an entity to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The application of IFRS 12 had no impact on the consolidated statement of comprehensive income or the consolidated statement of financial position.

IFRS 13 *Fair Value Measurement ("*IFRS 13") – IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Sarama adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by Sarama to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

Expressed in United States Dollars

3. 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 March 31, 2013. Many are not applicable or do not have a significant impact to Sarama and have been excluded from the list below. The following have not been adopted and are being evaluated to determine their impact on Sarama:

IFRS 9 *Financial Instruments* ("IFRS 9") – 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.

4. EXPLORATION AND EVALUATION ASSETS

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 March 31, 2013:

	December 31, 2012 **$**	**Additions 2013** **$**	**March 31, 2013** **$**
Burkina Faso			
Serakoro 1 (b)			
Acquisition costs	125,578	-	125,578
Exploration expenditure	534,119	517,982	1,052,101
Tankoro (a)			
Acquisition costs	222,322	-	222,322
Exploration expenditure	9,065,628	2,280,447	11,346,075
Other			
Acquisition costs	285,979	15,748	301,727
Exploration expenditure	2,789,884	168,630	2,958,514
Total Burkina Faso	**13,023,510**	**2,982,807**	**16,006,317**
Mali			
Acquisition costs	73,861	-	73,861
Exploration expenditure	294,458	26,098	320,556
Total Mali	**368,319**	**26,098**	**394,417**
Liberia			
Pedsam (c)			
Acquisition costs	279,437	-	279,437
Exploration expenditure	2,592,515	199,373	2,791,888
Other			
Acquisition costs	30,000	15,000	45,000
Exploration expenditure	116,185	59,843	176,028
Total Liberia	**3,018,137**	**274,216**	**3,292,353**
Total	**16,409,966**	**3,283,121**	**19,693,087**

Expressed in United States Dollars

a. Tankoro Permit, Burkina Faso

In early 2011, Sarama entered into an option agreement to acquire the Tankoro permit. Sarama had the right to earn up to a 100% interest with a trailing 1.5% Net Smelter Return ("NSR") royalty, which Sarama has an option to acquire for $1 million at any time after Sarama has taken ownership of the permit. On November 2, 2012, Sarama exercised its option to acquire ownership of the Tankoro permit. Pursuant to the agreement with the vendor, the vendor retains the right to a 1.5% NSR for any future mineral production from the Property. Sarama retains the right to acquire the NSR for US$1 million at any time. On March 23, 2013, the Burkina Faso Ministry of Mines and Energy issued the exploration permit to a Sarama wholly-owned subsidiary. The permit contained no additional conditions and is valid until December 17, 2014. In accordance with the Burkina Faso Mining Code, Sarama can elect to renew the permit for a further three years from this expiry date.

b. Serakoro 1 Permit, Burkina Faso

On November 26, 2011, Sarama entered an Option Agreement with SA.BI.MA SARL whereby Sarama 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. Sarama 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.

Sarama 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, Sarama entered into an earn-in agreement with a Norwegian Company Pedra to incrementally acquire an equity interest in its Liberian subsidiary Pedsam Mining Ltd ("Pedsam"), 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 on execution of this agreement to the vendor.

As at March 31, 2013, Sarama's equity interest was 65% (March 31, 2012: 20%).

5. PLANT AND EQUIPMENT

	March 31, 2013			
	Plant and Equipment	**Motor Vehicles**	**Office Equipment**	**Total**
	$	**$**	**$**	**$**
Opening net book value	199,417	308,056	215,906	723,379
Additions	2,551	-	8,987	11,538
Depreciation	(718)	(7,561)	(11,880)	(20,159)
Closing net book value	**201,250**	**300,495**	**213,013**	**714,758**
Cost	210,687	413,960	293,744	918,391
Accumulated depreciation	(9,437)	(113,465)	(80,731)	(203,633)
Closing net book value	**201,250**	**300,495**	**213,013**	**714,758**

Expressed in United States Dollars

December 31, 2012

	Plant and Equipment	Motor Vehicles	Office Equipment	Total
	$	$	$	$
Opening net book value	115,911	282,822	144,430	543,163
Additions	87,694	73,266	103,825	264,785
Depreciation	(4,188)	(48,032)	(32,349)	(84,569)
Closing net book value	**199,417**	**308,056**	**215,906**	**723,379**
Cost	208,136	413,960	284,757	906,853
Accumulated depreciation	(8,719)	(105,904)	(68,851)	(183,474)
Closing Net Book Value	**199,417**	**308,056**	**215,906**	**723,379**

6. SHARE CAPITAL

(a) Authorised Share Capital

At March 31, 2013, the authorised share capital comprised an unlimited number of common shares without par value.

(b) Issued Share Capital

	Capital Stock	
	Number	**$**
Balance at December 31, 2012	66,018,702	35,493,423
Balance at March 31, 2013	**66,018,702**	**35,493,423**

(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.

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
January 31, 2013	1,005,000	0.80	January 31, 2018
	5,055,000		

On February 20, 2012, the Company granted 1,125,000 options to directors, executive officers, management and a consultant in accordance with the Company's stock option plan. The option's vesting conditions were that 50% vest immediately and 50% vest 12 months from the date of grant. The options have a term of 5 years and are exercisable at a price of CAD $1.00 per share.

On January 31, 2013, the Company granted 1,005,000 options to directors, executive officers, management and a consultant in accordance with the Company's stock option plan. The option's vesting conditions were that 50% vest immediately and 50% vest 12 months from the date of grant. The options have a term of 5 years and are exercisable at a price of CAD $0.80 per share.

Expressed in United States Dollars

(d) Stock-based Compensation

For the period ended March 31, 2013, the Company granted stock options to its directors, officers, employees and consultants and estimated the stock based compensation as follows:

	January 31, 2013
Total options granted	1,005,000
Exercise price	CAD0.80
Estimated fair value of compensation recognised (i)	227,049
Balance to be recognised over remaining vesting period (ii)	162,941
Estimated fair value per option	38.81c

(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:

	January 31, 2013
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 and January 31, 2013 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 and additional warrants issued as part of the capital raising in October 2012. Changes in the fair value of these warrants since listing are as follows:

	$
Fair value at December 31, 2012	4,224,438
Fair value gain on warrants carried at fair value through profit and loss	(3,003,354)
Fair value at March 31, 2013	1,221,084

Warrant issue	**Total Warrants Issued**	**Exercise Price**	**Estimated fair value of warrants (i)**	**Estimated fair value per warrant**
Shareholder Warrants issued November 2, 2011	9,269,356	CAD$1.20	245,610	2.6c
Broker Warrants issued November 2, 2011	973,656	CAD$0.90	48,217	5.0c
Shareholder Warrants issued October 16, 2012	6,666,667	CAD$1.20	792,898	11.89c
Shareholder Warrants issued November 14, 2012	1,000,000	CAD$1.20	101,373	10.32c
Shareholder Warrants issued November 15, 2012	277,778	CAD$1.20	32,986	11.87c
Total	**18,187,457**		**$1,221,084**	

(i) The fair value of the warrants recognised in the financial statements has been estimated using the Black-Schöles Option-Pricing Model at inception with the following assumptions:

Expressed in United States Dollars

Warrant issue	Risk – free interest rate	Expected dividend yield	Expected stock price volatility	Expected warrant life in years
Shareholder Warrants issued November 2, 2011	1.14%	0%	95%	0 years and 7 months
Broker Warrants issued November 2, 2011	1.14%	0%	95%	0 years and 7 months
Shareholder Warrants issued October 16, 2012	1.14%	0%	95%	1 year and 7 months
Shareholder Warrants issued November 14, 2012	1.14%	0%	95%	1 year and 8 months
Shareholder Warrants issued November 15, 2012	1.14%	0%	95%	1 year and 8 months

7. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

	Three months ended March 31, 2013 Cents per share	Three months ended March 31, 2012 Cents per share
Basic earnings/(loss) per share	3.10	(7.22)
Diluted earnings/(loss) per share	3.10	(7.22)
Net profit/(loss) used in calculating basic/diluted earnings/(loss) per share	1,797,573	(3,723,684)
Weighted average number of shares on issue during the financial year used in the calculation of basic earnings/(loss) per share	**57,956,279**	**51,513,312**

8. COMMITMENTS

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

	March 31, 2013 $	December 31, 2012 $
Less than one year	40,704	55,224
Between one and two years	17,456	17,456
Total	58,160	72,680

Sarama has no contingencies (2012: Nil).

9. FINANCIAL INSTRUMENTS

Sarama is exposed to financial risks through the normal course of its business operations. The key risks impacting Sarama's financial instruments are considered to be foreign currency risk, interest rate risk, liquidity risk, credit risk and equity price risk. Sarama's financial instruments exposed to these risks are cash and short-term deposits, receivables, trade payables and investments in foreign operations.

The executive management team monitors the financial instrument risk to which it is exposed and assesses the impact and likelihood of those risks on an ongoing basis. Where material, these risks are reported and reviewed by the board of directors.

Fair Values

The fair value of Sarama's financial instruments approximates their carrying values due to the immediate or short-term maturity of these financial instruments. Sarama's financial assets and liabilities are measured and recognised at fair value as at March 31, 2013 according to the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities (level 1),
(b) quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability (level 2), and
(c) prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity) (level 3).

At March 31, 2013, Sarama has a warrant liability recognised at fair value. The level 2 financial liability is recognised at fair value through the profit and loss carried at fair value gain of $3,003,354 (2012: loss of $3,136,711).