Sarama Resources Ltd

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014

(Expressed in United States Dollars)

DIRECTORS

T. Sean Harvey (Non-executive Chairman)
Andrew Dinning (President and CEO)
L. Simon Jackson (Non-executive Director)
David A. Groves (Non-executive Director)
Glen Masterman (Non-executive Director)

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April 30, 2015

Independent Auditor's Report

To the Shareholders of Sarama Resources Ltd

We have audited the accompanying consolidated financial statements of Sarama Resources Ltd and its subsidiaries, which comprise the consolidated statement of financial position as at December 31,. 2014 and December 31, 2013 and the consolidated statement of income (loss) and comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows, for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sarama Resources Ltd and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers

Chartered Accountants

Perth, Western Australia

Expressed in United States Dollars

	Note	As at December 31, 2014 $	As at December 31, 2013 $
ASSETS			
Current assets			
Cash and cash equivalents		2,513,626	4,200,852
Security deposits		28,484	31,035
Accounts receivable		145,016	26,094
Prepayments		168,454	20,785
Total current assets		2,855,580	4,278,766
Non-current assets			
Exploration and evaluation assets	3	25,712,277	24,253,154
Plant and equipment	4	490,797	680,183
Total non-current assets		26,203,074	24,933,337
Total assets		29,058,654	29,212,103
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		288,590	372,118
Financial liabilities	5(e)	99,776	-
Total current liabilities		388,366	372,118
Total non-current liabilities		-	-
Total liabilities		388,366	372,118
EQUITY			
Share capital	5(a)	37,749,218	35,593,423
Stock-based compensation reserve	5(d)	2,054,396	2,002,791
Foreign currency translation reserve		(186,380)	96,035
Deficit		(10,946,946)	(8,852,264)
Total equity		28,670,288	28,839,985
Total liabilities and equity		29,058,654	29,212,103

These financial statements are authorised for issue by the Board of Directors on April 30, 2015.

They are signed on the Company's behalf by:

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

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

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

Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

Expressed in United States Dollars

	Note	Year ended December 31, 2014	Year ended December 31, 2013
		$	**$**
Income			
Interest income		17,092	75,178
Other income		17,831	-
Fair value gain on warrants carried at fair value through profit and loss	5	560,455	4,224,438
		595,378	4,299,616
Expenses			
Accounting and audit		93,084	102,879
Stock-based compensation	5(d)	51,605	412,157
Salaries		774,681	1,112,089
Professional fees		104,668	104,435
Office and general		206,511	296,678
Travel		8,657	63,318
Marketing and investor relations		248,513	296,713
Depreciation		30,560	35,244
Directors fees		114,946	133,955
Foreign exchange loss		140,688	586,763
Insurance		45,416	49,643
Exploration expenditure written off	3	870,731	602,319
Total expenses		2,690,060	3,796,193
(Loss) Income before income tax		(2,094,682)	503,423
Income tax expense	6	-	-
(Loss) Income for the period		(2,094,682)	503,423
Items that may be reclassified to the statement of income/(loss)			
Exchange (loss) on translation of foreign operations		(282,415)	(47,461)
Total comprehensive income/(loss) for the period		(2,377,097)	455,962
Basic and diluted (loss) income per share	11	(2.7) cents	0.8 cents

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

Expressed in United States Dollars

	Note	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Cash flows used in operating activities			
Payments to suppliers and employees		(1,946,595)	(2,131,240)
Interest received		17,092	75,178
Other income		17,831	-
Net cash used in operating activities	12	(1,911,672)	(2,056,062)
Cash flows used in investing activities			
Purchase of plant and equipment		-	(189,593)
Security deposits redeemed/placed		-	107,263
Payments for exploration and evaluation		(3,329,854)	(8,054,795)
Fee received for earn in agreement		1,000,000	-
Net cash used in investing activities		(2,329,854)	(8,137,125)
Cash flows from financing activities			
Common shares issued for cash		2,235,431	-
Warrants issued		660,231	-
Payment of share issue costs		(79,636)	-
Net cash generated by financing activities		2,816,026	-
Net decrease in cash and cash equivalents		(1,425,500)	(10,193,187)
Net foreign exchange differences		(261,726)	(334,701)
Cash and cash equivalents at beginning of the year		4,200,852	14,728,740
Cash and cash equivalents at end of the year		2,513,626	4,200,852

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

Expressed in United States Dollars

	Number of common shares	Share capital (note 5) $	Stock - based compensation reserve (note 5(d)) $	Foreign currency translation reserve $	Deficit $	Total $
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 shareholders of the Company	-	-	-	-	503,423	503,423
Exchange differences on translation of foreign operations	-	-	-	(47,461)	-	(47,461)
Total comprehensive income for the year	**-**	**-**	**-**	**(47,461)**	**503,423**	**455,962**
Transactions with owners in their capacity as owners:						
Shares issued	141,192	100,000	-	-	-	100,000
Stock-based compensation	-	-	412,157	-	-	412,157
Balance at December 31, 2013	**66,159,894**	**35,593,423**	**2,002,791**	**96,035**	**(8,852,264)**	**28,839,985**
Loss attributed to shareholders of the Company	-	-	-	-	(2,094,682)	(2,094,682)
Exchange differences on translation of foreign operations	-	-	-	(282,415)	-	(282,415)
Total comprehensive loss for the year	**-**	**-**	**-**	**(282,415)**	**(2,094,682)**	**(2,377,097)**
Transactions with owners in their capacity as owners:						
Shares issued	20,992,366	2,155,795	-	-	-	2,155,795
Stock-based compensation	-	-	51,605	-	-	51,605
Balance at December 31, 2014	**87,152,260**	**37,749,218**	**2,054,396**	**(186,380)**	**(10,946,946)**	**28,670,288**

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.

Business Activities
The consolidated entity, consisting of Sarama Resources Ltd and its subsidiaries (the "Company") is in the exploration stage and its principal business activity is the sourcing and exploration of mineral properties. As at December 31, 2014, the Company is in the process of exploring its principal mineral properties and has not yet determined whether the properties contain gold reserves that are economically recoverable.

Financial Results
The Company recorded a loss of $2,094,682 (2013: profit of $503,423) for the year ended December 31, 2014. In addition, the Company had working capital of $2,467,214 (2013: $3,906,648) at December 31, 2014. Working capital is defined as current assets less current liabilities. Working capital provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The accounting policies have been consistently applied to all years presented within the consolidated financial statements, unless otherwise stated.

Basis of Presentation

These consolidated financial statements have been prepared under the historical cost convention except for 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").

a) Changes in Accounting Policies

Effective January 1, 2014 the Company adopted the following IFRS:

IAS 36 *Impairment of Assets* ("IAS 36") – IAS 36 was amended regarding disclosure requirements. The adoption of this amendment did not result in any adjustments to the consolidated financial statements.

b) Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at December 31, 2014 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

c) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States dollars ("USD"), which is Sarama Resources Ltd's functional and presentation currency.

(ii) Transactions and Balances

Monetary assets and liabilities of the Company are translated into USD at the exchange rate in effect on the statement of financial position date while non-monetary assets and liabilities, revenues and expenses are translated using exchange rates in effect at the time of each transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

All foreign exchange gains and losses are presented separately in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair-value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Functional Currency

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of comprehensive income (loss) are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

d) Financial Instruments

Cash and cash equivalents are classified as current assets and include short-term, highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places the majority of its cash holdings with an Australian financial institution which has a high credit rating.

Non-derivative financial assets and liabilities

The Company has the following non-derivative financial assets and liabilities:

i. Receivables
Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value, less any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses.

ii. Amounts payable and other accrued liabilities
Such financial liabilities are recognised initially at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method if significant.

e) Exploration and Evaluation Assets

All of the Company's projects are in the exploration stage. The Company capitalises all costs related to the acquisition, exploration and development of mineral properties until such time as a mineral property is put into commercial production, is sold or becomes impaired as allowed under IFRS 6 "Exploration for and Evaluation of Mineral Resources".

Mineral property acquisition costs and exploration costs are capitalised and include directly attributable administration and support costs. The recoverability of amounts shown as mineral property acquisition costs and deferred exploration costs 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. Consideration received for farm out arrangements on mineral properties is treated as a recovery of cost. If the consideration exceeds the carrying amount of the properties, a gain is recognised for the amount of such excess.

At each reporting date management reviews whether there is any indication that mineral property acquisition and exploration assets may be impaired. Impairment indicators may include expiry of exploration rights, absence of appropriate budgeted expenditure, commercially unviable quantities of mineral resources and unlikely recovery of the carrying values through development of the mineral property. Mineral property and exploration assets are written down to their recoverable amount if their carrying value exceeds their recoverable amount.

An impairment of mineral property and exploration assets is also recorded when management determines that it will discontinue exploration or evaluation on a property or when exploration rights or permits expire and are not replaced with a new permit covering the same or substantially the same area of interest.

The development stage begins once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalised. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalised and will be amortised on the unit-of-production method based upon estimated proven and probable reserves once production commences.

f) Impairment of plant and equipment

At the end of each reporting period, the carrying amounts of the Company's plant and equipment is reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment, if any. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value-of-money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised in the Statement of Income (Loss) and Comprehensive Income (Loss) for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Income (Loss) and Comprehensive Income (Loss).

g) Plant and Equipment

The cost of all plant and equipment is stated at historical cost less depreciation and impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Assets are depreciated over their estimated useful service lives using the straight-line method at the following periods:

Office equipment	4 years
Plant and equipment	3 years
Motor vehicles	4 years

Depreciation expense relating to plant and equipment in Burkina Faso, Mali and Liberia is capitalised and forms part of exploration and evaluation assets. Depreciation expense for plant and equipment in Australia is recognised as an expense through the Statement of Income (Loss) and Comprehensive Income (Loss).

h) Stock-based Compensation

The fair value of share purchase options granted is recognised as an employee or consultant expense with a corresponding increase in equity. The fair value of share purchase options granted is determined by the Black-Schöles option pricing model using estimates for the volatility of the trading price of the Company's stock, the expected lives of share purchase options awarded, the fair value of the Company's shares and the risk-free interest rate.

For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date on which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The estimated fair value of awards of share purchase options is charged to expense over the vesting period, with offsetting amounts to equity. If the share purchase options are granted for past services, they are expensed immediately. If the share purchase options are forfeited prior to vesting, no amounts are charged to expense. If share purchase options are exercised, then the fair value of the options is re-classed from stock-based compensation reserve to share capital.

At each reporting date, the amount recognised as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest. The corresponding entry is recognised in the stock-based compensation reserve.

i) Basic and Diluted Earnings per Share

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the result attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share does not adjust the profit attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

j) Share Warrants

In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value through the Statement of Income (Loss) and Comprehensive Income (Loss) in accordance with the requirements of IAS 32 Financial Instruments: Presentation. The financial liability will be accounted for at fair value through the Statement of Income (Loss) and Comprehensive Income (Loss) until such time that the warrants are exercised or lapse, at which point the liability will be transferred to equity.

k) Income Taxes

Income tax on the income or loss for the period presented comprises current and deferred tax. Income tax is recognised in the Statement of Income (Loss) and Comprehensive Income (Loss) except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realisation or settlement.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

l) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

m) Critical Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Information about significant areas of estimation uncertainty considered by management in preparing the financial statements is described below.

(i) Recoverability of Capitalised Exploration and Evaluation Expenditure

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.

(ii) Measurement of warrants and stock options

The Company determines the fair value of both warrants and options classified as liabilities at fair value through the Statement of Income (Loss) and Comprehensive Income (Loss) using the Black-Schöles Model. Note 5 provides detailed information about the key assumptions used in the determination of the fair value of warrants.

n) Accounting Standards, Interpretations and Amendments to Existing Standards That Are Not Yet Effective

The following pronouncements were issued by the IASB and will be mandatory for accounting periods after December 31, 2014. The pronouncements have been evaluated and are not considered advantageous for early adoption.

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The Company is assessing the impact of adopting IFRS 9 on its consolidated financial statements which is mandatory for financial years commencing on or after January 1, 2018.

Expressed in United States Dollars

The IASB has issued a new standard (IFRS 15) for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The Company is currently assessing the impact of adopting IFRS 15 on its consolidated financial statements which is mandatory for financial years commencing on or after 1 January 2017.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

3. 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 Company is continuing to explore as at December 31, 2014:

	December 31, 2013	**Movement 2014**	**December 31, 2014**
	$	$	$
Burkina Faso			
Tankoro (a)			
Acquisition costs	353,097	-	353,097
Exploration expenditure	13,981,752	1,454,240	15,435,992
Fee received from earn-in arrangement (c)	-	(898,749)	(898,749)
Other			
Acquisition costs	509,475	127,107	636,582
Exploration expenditure	5,566,217	879,437	6,445,654
Exploration expenditure written off (b)	(520,501)	(812,262)	(1,332,763)
Fee received from earn-in arrangement (c)	-	(101,251)	(101,251)
Total Burkina Faso	**19,890,040**	**648,522**	**20,538,562**
Mali			
Acquisition costs	71,105	(1,999)	69,106
Exploration expenditure	1,817,413	210,625	2,028,038
Exploration expenditure written off	(1,424,497)	(58,469)	(1,482,966)
Total Mali	**464,021**	**150,157**	**614,178**
Liberia			
Pedsam			
Exploration expenditure	3,656,895	631,585	4,288,480
Other			
Acquisition costs	30,000	-	30,000
Exploration expenditure	277,281	28,859	306,140
Exploration expenditure written off	(65,083)	-	(65,083)
Total Liberia	**3,899,093**	**660,444**	**4,559,537**
Total	**24,253,154**	**1,459,123**	**25,712,277**

a. Tankoro Permit, Burkina Faso

In early 2011, a subsidiary of the Company entered into an option agreement to acquire the Tankoro permit ("the Property"). The subsidiary had the right to earn up to a 100% interest with a trailing 1.5% Net Smelter Return ("NSR") royalty, which the subsidiary had an option to acquire for $1 million at any time after it had taken ownership of the permit. On November 2, 2012, the subsidiary 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. The subsidiary retains the right to acquire the NSR for $1 million at any time. On March 23, 2013, the Burkina Faso Ministry of Mines and Energy issued the exploration permit. The permit contained no additional conditions and the current term expired on December 17, 2014. In accordance with the Burkina Faso Mining Code, the subsidiary has elected to renew the permit for a further three years from this expiry date. The renewal of the Tankoro permit is currently in process.

The Company is responsible for ongoing annual expenditure commitments of $131,361 required by the Government of Burkina Faso.

b. Exploration expenditure write off – Burkina Faso

During 2014, the Company took the decision to relinquish the permits Melou, Mousséo, Minissia and Tiéfora Nord. In accordance with the Company's accounting policy, any costs already capitalised were charged to the Statement of Income (Loss) and Comprehensive Income (Loss).

c. Fee received from earn-in agreement

The Company received a fee of $1,000,000 for entering into an earn-in agreement (the "**Agreement**") with Acacia Mining plc in December 2014. In accordance with the Company's accounting policy, this fee is treated as a recovery of the costs of the exploration and evaluation expenditure up until the date of signing the Agreement. The Company has allocated the fee to the carrying value of each permit on the basis of each permits carrying value when compared to the total carrying value of the seven permits subject to the Agreement.

Expressed in United States Dollars

4. PLANT AND EQUIPMENT

December 31, 2014

	Plant and Equipment $	Motor Vehicles $	Office Equipment $	Total $
Opening Net Book Value	292,460	227,238	160,485	680,183
Additions	500	-	13,954	14,454
Disposals	-	(31,052)	-	(31,052)
Depreciation	(52,188)	(69,203)	(51,397)	(172,788)
Closing Net Book Value	**240,772**	**126,983**	**123,042**	**490,797**
Opening Cost	355,111	415,030	309,707	1,079,848
Accumulated Depreciation	(114,339)	(288,047)	(186,665)	(589,051)
Closing Net Book Value	**240,772**	**126,983**	**123,042**	**490,797**

December 31, 2013

	Plant and Equipment $	Motor Vehicles $	Office Equipment $	Total $
Opening net book value	231,130	310,178	182,071	723,379
Additions	114,680	30,000	44,913	189,593
Depreciation	(53,350)	(112,940)	(66,499)	(232,789)
Closing net book value	**292,460**	**227,238**	**160,485**	**680,183**
Cost	354,611	446,082	295,753	1,096,446
Accumulated Depreciation	(62,151)	(218,844)	(135,268)	(416,263)
Closing Net Book Value	**292,460**	**227,238**	**160,485**	**680,183**

5. SHARE CAPITAL

(a) Authorised Share Capital

At December 31, 2014, the authorised share capital comprised an unlimited number of common shares without par value.

(b) Issued Share Capital

	Capital Stock Number	$
Balance, 1 January, 2013	66,018,702	35,493,423
Shares issued during the period ended 31 December 2013 (i)	141,192	100,000
Balance January 1, 2014	**66,159,894**	**35,593,423**
Shares issued during the period ended 31 December 2014, net of costs (i)	20,992,366	2,155,795
Balance December 31, 2014	**87,152,260**	**37,749,218**

Expressed in United States Dollars

Details of issues of common shares

(i) On May 12, 2014, the Company announced it was commencing a private placement to raise gross proceeds of up to C$3,000,000. The private placement process was completed on July 4, 2014 and resulted in a total of C$3,148,080 being raised by issuing 20,992,366 shares and 10,496,183 common share purchase warrants.

(c) Company Stock Option Plan

The Company has a stock option plan (the "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 C$	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 (vested)	1,125,000	1.00	February 17, 2017
January 31, 2013 (vested)	1,005,000	0.80	January 31, 2018
January 30, 2014 (vested)	1,415,000	0.28	January 30, 2017
December 14, 2014	300,000	0.10	December 30, 2017

No options have been exercised in the year ended December 31, 2014 (year ended December 31, 2013: Nil).

(d) Stock-Based Compensation

For the full year ended December 31, 2014, the expense incurred for relating to stock-based compensation was $51,605 (2013: $412,157). The expense consisted of the amount incurred upon issue of employee options on January 30, 2014 and December 14, 2014 (please see below) and amounts recognised from the previous year's issuance in accordance with the Company's accounting policy.

For the year ended December 31, 2014, the Company granted stock options to its directors, officers, employees and consultants and estimated the stock based compensation as follows:

	January 30, 2014	December 14, 2014
Total options granted	1,415,000	300,000
Exercise price	CAD$0.28	CAD$0.10
Estimated fair value of compensation recognised	42,953	3,362
Balance to be recognised over remaining vesting period	Nil	Nil
Estimated fair value per option	3c	1.2c

The fair value of the stock-based compensation recognised in the accounts has been estimated using the Black-Schöles Option-Pricing Model with the following assumptions:

	January 30, 2014	December 14, 2014
Risk-free interest rate	1%	0.97%
Expected dividend yield	0%	0%
Expected stock price volatility	105%	105%
Expected option life in years	1.5 years	1.5 years

The share price volatility is based on historical data and reflects the assumption that historical volatility over a period similar to the life of the option is indicative of future trends, which may not necessarily be indicative of exercise patterns that may occur.

Expressed in United States Dollars

(e) Warrants

The Company has issued warrants as part of its capital raising programs. The details of all warrants still on issue are detailed below.

Warrant issue	**Total Warrants Issued**	**Exercise Price**	**Estimated fair value of warrants (i)**	**Estimated fair value per warrant**
Shareholder Warrants issued between May 30, 2014 and July 4, 2014	10,496,183	CAD$0.20	660,231	6.3c
Total	**10,496,183**		**660,231**	**6.3c**

During the period, the warrants issued from October 16, 2012 to November 15, 2012 lapsed. None of these warrants were exercised.

(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:

Warrant issue	**Risk – free interest rate**	**Expected dividend yield**	**Expected stock price volatility**	**Remaining warrant life in years**
Shareholder Warrants issued between May 30, 2014 and July 4, 2014	1.1%	0%	105%	1 year and 6 months

Changes in the fair value of these warrants are as follows:

	$
Fair value at December 31, 2013	-
Fair value ascribed to warrants at completion of the May to July private placement	660,231
Fair value (gain) on warrants carried at fair value through profit and loss	(560,455)
Fair value at December 31, 2014	**99,776**

6. INCOME TAXES

A reconciliation of the income tax at statutory rates is as follows:	**December 31, 2014**	**December 31, 2013**
(Loss) Income for the period before income tax	(2,094,682)	503,423
"Prima facie" income tax expense at 26% (2013: 28.5%)	(544,617)	143,376
Tax effect of permanent differences:		
Stock – based payments	13,417	117,465
Foreign exchange (gains) / losses	36,579	170,189
Revaluation of warrant liability	(145,718)	(1,203,965)
Tax deductions for capital raising costs in Equity	(106,826)	(117,098)
Fee for earn-in arrangement	260,000	-
Other	-	(18,548)
Adjustment in respect of global tax rate differences	(105,529)	13,606
Deferred tax assets not brought to account	592,694	894,975
Income tax expense	-	-

Expressed in United States Dollars

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	December 31, 2014	December 31, 2013
	$	$
Deferred tax liabilities:	-	-
Deferred tax assets		
Tax losses	3,039,376	2,834,067
Capital raising costs expensed	90,413	99,106
	3,129,789	2,933,173
Deferred tax assets not recognised	(3,129,789)	(2,933,173)
Deferred tax assets recognised at 31 December	-	-

Unrecognised deferred tax assets

	December 31, 2014	December 31, 2013
Deferred tax assets have not been recognised in respect of the following items:	$	$
Tax losses - Canada	2,042,879	1,671,304
Tax losses - Liberia	11,811	28,082
Tax losses - Burkina Faso	620,888	764,026
Tax losses - Mali	364,798	370,655
Capital raising costs expensed	90,413	99,106
	3,129,789	2,933,173

The realisation of income tax benefits related to these potential tax deductions is uncertain and cannot be viewed as probable. Accordingly, no deferred income tax assets have been recognised for accounting purposes.

7. FINANCIAL INSTRUMENTS

The Company is exposed to financial risks through the normal course of its business operations. The key risks impacting the Company's financial instruments are considered to be foreign currency risk, interest rate risk, liquidity risk, credit risk and equity price risk. The Company'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.

(a) Fair Values

The fair value of the Company's financial instruments approximates their carrying values due to the immediate or short-term maturity of these financial instruments. The Company's financial assets and liabilities are measured and recognised at fair value as at December 31, 2014 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 December 31, 2014, the Company 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 of $99,776 (2013: $Nil).

(b) Financial Instrument Risk Exposure

Foreign currency risk

The Company has international operations in West Africa, namely Burkina Faso, Mali and Liberia and an administrative office in Western Australia. The multiple locations expose the Company to foreign exchange risk as detailed below:

- Canadian dollar (CAD) – primary source of Company funding and its corporate and regulatory costs.
- Australian dollar (AUD) – administrative costs in Western Australia.
- Euro and Communauté Financiére Africaine Francs (CFA) – funding of African operations.

Management's policy is to actively manage foreign exchange risk. Management mitigates foreign exchange risk by continuously monitoring forecasts and spot prices of foreign currency and holding foreign currency based on expected future expenditure commitments.
The carrying amounts of the Company's financial assets and liabilities are denominated in USD, except as set out below:

		As at December 31, 2014	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
Cash and cash equivalents	490,478	348,934	136,597
Payables	10,980	55,789	-
		As at December 31, 2013	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
Cash and cash equivalents	920,278	789,163	21,584
Payables	54,321	67,103	-

Sensitivity

Based on the financial instruments held as at December 31, 2014, had the US dollar weakened/strengthened by 10% against the AUD, CAD or EUD, with all other variables held constant, the Company's losses/gains for the period would have been mainly as a result of foreign exchange gains/losses in translation of foreign denominated currencies. The following table summarises the sensitivity of the Company's cash and cash equivalents to changes in foreign exchange rates.

The Company's exposure to other foreign exchange movements is not material.

		As at December 31, 2014	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
USD Strengthened by 10%	(34,741)	(22,221)	(15,020)
USD Weakened by 10%	42,461	27,159	18,358
		As at December 31, 2013	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
USD Strengthened by 10%	(88,600)	(77,842)	(1,962)
USD Weakened by 10%	108,289	95,141	2,398

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable.

The Company has reduced its credit risk by holding all of its cash and cash equivalents with an Australian financial institution, whose Moody's Investor Service rating is Aa2, except for working capital requirements in West Africa.

Liquidity risk

Ultimate responsibility for liquidity risk rests with the Board of Directors, who oversee a liquidity risk management framework for the management of the Company's funding and liquidity requirements.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring there are adequate funds available to meet its operating and growth objectives. The Company relies on issuance of shares to fund exploration programs and will most likely issue additional shares in the future.

Interest rate risk

The Company is exposed to interest rate risk as entities in the Company deposit funds at both short-term fixed and floating rates of interest. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears interest at variable rates. The fair value of cash approximates its carrying value due to the immediate or short-term maturity of this financial instrument.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing.

Equity price risk

Based on the financial liabilities held as at December 31, 2014, had the Company's share price weakened/strengthened by 10%, with all other variables held constant, the Company's movement in the fair value loss on warrants carried at fair value through the profit and loss would have been $20,598.

8. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responding to changes in economic conditions and the risk characteristics of the underlying assets. There were no changes in the Company's approach to capital management during the twelve months ended December 31, 2014. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the company, is reasonable. The Company is not subject to externally imposed capital requirements.

The properties in which the Company currently has interests are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical source of capital has consisted of the issue of equity securities and warrants. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

The Company is exposed to various funding and market risks which could curtail its access to funds.

Expressed in United States Dollars

9. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name of entity	Country of Incorporation	Class of shares	Functional Currency	Equity holding % 2014	Equity holding % 2013
Sarama Investments Ltd	British Virgin Islands	Ordinary	USD	**100**	**100**
Sarama Investments (No.2) Limited	British Virgin Islands	Ordinary	USD	**100**	**100**
Sarama Investments Mali Limited	British Virgin Islands	Ordinary	USD	**100**	**100**
Sarama Investments Liberia Limited	British Virgin Islands	Ordinary	USD	**100**	**100**
Sarama Investments Liberia No. 2 Limited	British Virgin Islands	Ordinary	USD	**100**	**100**
Burkina Faso Holdings Limited	British Virgin Islands	Ordinary	USD	**100**	**100**
Sarama Mining Burkina SUARL	Burkina Faso	Ordinary	CFA	**100**	**100**
Sarama Mining Mali SARL	Mali	Ordinary	CFA	**100**	**100**
Sarama Mining Liberia Limited	Liberia	Ordinary	USD	**100**	**100**
Pedsam Mining Limited (Liberia)	Liberia	Ordinary	USD	**100**	**80**
Sarama Faso SARL	Burkina Faso	Ordinary	USD	**100**	**100**

The Company has included Pedsam Mining Limited ("Pedsam") as a subsidiary for the purpose of these consolidated financial statements. The Company controls the board of Pedsam and provides all funding. Accordingly these consolidated financial statements include the complete financial results and position of Pedsam Mining Limited (Liberia).

10. SEGMENT REPORTING

The Company consider the Board of Directors to be the chief decision maker.

The Company has one business segment, being the acquisition, exploration and potential development of mineral properties. The Company has operations in three geographic areas, being Burkina Faso, Mali and Liberia.

Non-current Assets	**December 31, 2014**				
	Burkina Faso $	**Mali $**	**Liberia $**	**Other $**	**Total $**
Exploration and evaluation assets	20,538,562	614,178	4,559,537	-	25,712,277
Plant and equipment	384,299	-	78,430	28,068	490,797
Total non – current assets	**20,922,861**	**614,178**	**4,637,967**	**28,068**	**26,203,074**

Non-current Assets	**December 31, 2013**				
	Burkina Faso $	**Mali $**	**Liberia $**	**Other $**	**Total $**
Exploration and evaluation assets	19,890,040	464,021	3,899,093	-	24,253,154
Plant and equipment	509,208	-	101,636	69,339	680,183
Total non – current assets	**20,399,248**	**464,021**	**4,000,729**	**69,339**	**24,933,337**

Expressed in United States Dollars

11. BASIC AND DILUTED (LOSS) INCOME PER SHARE

	December 31, 2014 Cents per share	**December 31, 2013 Cents per share**
Basic (loss) income per share	**(2.7)**	**0.8**
Diluted (loss) income per share	**(2.7)**	**0.8**

	$	**$**
Net (loss) income used in calculating basic/diluted (loss) income per share	**(2,094,682)**	**503,423**
Weighted average number of shares on issue during the financial year used in the calculation of basic (loss) income per share	**77,833,431**	**66,108,446**

Diluted income per share as at December 31, 2014 is the same as basic loss per share as it is unlikely that the warrants will be converted into common shares.

12. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of loss after tax to net cash flows from operations

	December 31, 2014 $	**December 31, 2013 $**
(Loss) income for the period	(2,094,682)	503,423
Depreciation	30,560	35,244
Exploration expenditure written off	870,731	602,319
Stock-based payments	51,605	412,157
Fair value loss/(gain) on warrants	(560,455)	(4,224,438)
Net exchange and translation differences (gain)/loss	140,688	586,763
Net cash outflows used in operating activities before change in working capital	(1,561,553)	(2,084,532)
Change in working capital	(350,119)	28,470
Net cash outflows used in operating activities	(1,911,672)	(2,056,062)

13. COMMITMENTS

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

	December 31, 2014 $	**December 31, 2013 $**
Less than one year	50,408	18,220
Between 1 and 2 years	29,540	431
Greater than 2 years	2,655	-
Total	82,603	18,651

The Company has no contingencies (2013: Nil).

Expressed in United States Dollars

14. KEY MANAGEMENT COMPENSATION

Year	Salary	Directors Fees	Stock-based compensation	Annual incentive plans	Pension value (1)	All other compensation	Total compensation
2014	950,386	114,946	51,605	-	63,560	-	**1,180,497**
2013	945,598	133,955	287,156	184,555	70,166	-	**1,621,430**

Notes:

(1) The Company is required by applicable law in Australia to make an annual contribution of 9.5% of gross annual salary to the nominated superannuation funds of Australian employees. Subject to the prevailing legislation, employees are able to elect a higher rate at which the Company contributes. The Company contributes to superannuation funds of Australian resident named executive officers (NEO) at a rate of 10% of base salary per year, in addition to the base salary. The Company does not provide defined benefit plans or other pension entitlements for any of its employees.

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