Sarama Resources Ltd

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

(Expressed in United States Dollars)

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April 30, 2014

Independent Auditor's Report
To the Shareholders of Sarama Resources Limited

We have audited the accompanying consolidated financial statements of Sarama Resources Limited and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2013 and December 31, 2012 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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Liability limited by a scheme approved under Professional Standards Legislation.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sarama Resources Limited and its subsidiaries as at December 31, 2013 and December 31, 2012 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

	Note	As at December 31, 2013 $	As at December 31, 2012 $
ASSETS			
Current assets			
Cash and cash equivalents		4,200,852	14,728,740
Security deposits		31,035	138,298
Accounts receivable		26,094	73,129
Prepayments		20,785	366,440
Total current assets		4,278,766	15,306,607
Non-current assets			
Exploration and evaluation assets	3	24,253,154	16,409,966
Plant and equipment	4	680,183	723,379
Total non-current assets		24,933,337	17,133,345
Total assets		29,212,103	32,439,952
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		372,118	343,648
Financial liabilities	5(e)	-	4,224,438
Total current liabilities		372,118	4,568,086
Total non-current liabilities		-	-
Total liabilities		372,118	4,568,086
EQUITY			
Share capital	5	35,593,423	35,493,423
Stock-based compensation reserve	5(d)	2,002,791	1,590,634
Foreign currency translation reserve		96,035	143,496
Deficit		(8,852,264)	(9,355,687)
Total equity		28,839,985	27,871,866
Total liabilities and equity		29,212,103	32,439,952

These financial statements are authorised for issue by the Board of Directors on April 30, 2014.

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, 2013	Year ended December 31, 2012
		$	**$**
Income			
Interest income		75,178	67,455
Fair value gain on warrants carried at fair value through profit and loss	5	4,224,438	-
Foreign exchange gain		-	173,516
		4,299,616	240,971
Expenses			
Accounting and audit		102,879	75,101
Stock-based compensation	5(d)	412,157	520,091
Salaries		1,112,089	1,087,119
Professional fees		104,435	246,779
Office and general		296,678	366,953
Travel		63,318	51,778
Marketing and investor relations		296,713	225,571
IPO/Raising Costs		-	283,311
Depreciation		35,244	23,016
Directors fees		133,955	168,517
Foreign exchange loss		586,763	-
Insurance		49,643	34,393
Exploration expenditure written off	3	602,319	1,407,762
Fair value loss on warrants carried at fair value through profit and loss		-	3,136,711
Total expenses		3,796,193	7,627,102
Profit / (Loss) before income tax		503,423	(7,386,131)
Income tax expense	6	-	-
Profit / (Loss) for the period		503,423	(7,386,131)
Items that may be reclassified to the statement of profit and kiss			
Exchange gain/(loss) on translation of foreign operations		(47,461)	146,209
Total comprehensive income/(loss) for the period		455,962	(7,239,922)
Basic and diluted earnings / (loss) per share	11	0.8 cents	(13.6 cents)

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

	Note	Year ended December 31, 2013	Year ended December 31, 2012
		$	$
Cash flows used in operating activities			
Payments to suppliers and employees		(2,131,240)	(2,651,975)
Interest received		75,178	67,455
Net cash used in operating activities	12	(2,056,062)	(2,584,520)
Cash flows used in investing activities			
Purchase of plant and equipment		(189,593)	(180,217)
Security deposits redeemed/placed		107,263	(138,298)
Payments for exploration and evaluation		(8,054,795)	(12,269,719)
Net cash used in investing activities		(8,137,125)	(12,588,234)
Cash flows from financing activities			
Common shares issued for cash		-	10,472,877
Warrants issued		-	2,802,601
Payment of share issue costs		-	(761,699)
Net cash generated by financing activities		-	12,513,779
Net decrease in cash and cash equivalents		(10,193,187)	(2,658,975)
Net foreign exchange differences		(334,701)	296,710
Cash and cash equivalents at beginning of the year		14,728,740	17,091,005
Cash and cash equivalents at end of the year		4,200,852	14,728,740

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

Consolidated Statement of Changes in Equity
For the year ended 31 December 2013
Expressed in United States Dollars

	Number of common shares	Share capital (note 5)	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 shareholders of the Company	-	-	-	-	(7,386,131)	(7,386,131)
Exchange differences on translation of foreign operations	-	-	-	146,209	-	146,209
Total comprehensive loss for the period	-	-	-	**146,209**	**(7,386,131)**	**(7,239,922)**
Transactions with owners in their capacity as owners:						
Share issues	14,505,390	13,275,478	-	-	-	13,275,478
Stock-based compensation	-	-	520,091	-	-	520,091
Share issue costs	-	(761,699)	-	-	-	(761,699)
Balance at December 31, 2012	**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 period	-	-	-	**(47,461)**	**503,423**	**455,962**
Transactions with owners in their capacity as owners:						
Share Issues	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**

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, 2013, 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 profit of $503,423 (2012: loss of $7,386,131) for the year ended December 31, 2013. In addition, the Company had working capital of $3,906,648 (2012: $14,762,959) at December 31, 2013. 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, 2013 the Company adopted the following IFRS:

IAS 1 Presentation of Financial Statements ("IAS 1") - IAS 1 was amended and requires companies to group items presented within Other Comprehensive Income based on whether they may be subsequently reclassified to profit or loss. The adoption of this amendment did not result in any adjustments to other comprehensive income or comprehensive income.

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 10 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 entities should account for joint arrangements using proportionate consolidation for joint operations or the equity accounting method for joint ventures. 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. The Company does not have any joint arrangements at this time.

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. 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.

b) Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at December 31, 2013 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 (Loss) and Comprehensive Income (Loss).

All foreign exchange gains and losses are presented separately in the 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 balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each statement of comprehensive 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 Exploration 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.

Depending on the stage of exploration of a mineral property and whether the Company has completed any economic feasibility work, it may be difficult to estimate future cash flows reliably. Where reliable estimates of future cash flows are not available, management assesses whether the carrying amount can be recovered based on quantifiable geological resources, empirical evidence such as geochemical analyses, drilling results, assays, mapping and field observations in relation to factors such as commodity markets, equity markets, exchange rates, political risk and proximity to other known operations, management's plans to continue to explore the property, or the Company's assessment of its ability to sell the property for an amount greater than the carrying amount.

An impairment is 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

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset 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 profit 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, at which point the liability will be transferred to equity.

k) Income Taxes

Income tax on the profit 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.

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.

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.

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

The following pronouncement was issued by the IASB and will be mandatory for accounting periods after December 31, 2013. The pronouncement has been evaluated and it is not considered advantageous for early adoption.

IFRS 9, Financial Instruments, addresses, in its two finalized phases, the classification and measurement of financial assets and financial liabilities and hedge accounting. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. In the third and final outstanding phase of the standard, the IASB will address impairment of financial assets. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements, pending the issuance of the final standard by the IASB.

IAS 36 *Impairment of Assets* ("IAS 36") – IAS 36 was amended regarding disclosure requirements and is effective for years beginning on or after January 1, 2014.

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, 2013:

	December 31, 2012	**Movement 2013**	**December 31, 2013**
	$	**$**	$
Burkina Faso			
Tankoro (a)			
Acquisition costs	153,773	199,324	353,097
Exploration expenditure	9,095,477	4,886,275	13,981,752
Other			
Acquisition costs	351,004	158,471	509,475
Exploration expenditure	3,420,985	2,145,232	5,566,217
Exploration expenditure written off (c)	-	(520,501)	(520,501)
Total Burkina Faso	**13,021,239**	**6,868,801**	**19,890,040**

Mali			
Acquisition costs	39,401	31,704	71,105
Exploration expenditure	1,706,975	110,438	1,817,413
Exploration expenditure written off	(1,407,762)	(16,735)	(1,424,497)
Total Mali	**338,614**	**125,407**	**464,021**
Liberia			
Pedsam (b)			
Acquisition costs	-	-	-
Exploration expenditure	2,871,952	784,943	3,656,895
Other			
Acquisition costs	30,000	-	30,000
Exploration expenditure	146,185	131,096	277,281
Exploration expenditure written off	-	(65,083)	(65,083)
Total Liberia	**3,048,137**	**850,956**	**3,899,093**
Total	**16,407,990**	**7,845,164**	**24,253,154**

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 is valid until December 17, 2014. In accordance with the Burkina Faso Mining Code, the subsidiary can elect to renew the permit for a further three years from this expiry date.

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

b. *Liberian Earn-in Agreement*

On May 30, 2011, the Company 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) and an amount of $100,000 was paid on execution of this agreement to the vendor.

As at December 31, 2013, Sarama's equity interest was 80% (December 31, 2012: 65%).

c. *Exploration expenditure write off – Burkina Faso*

During the fourth quarter of 2013, the Company took the decision to relinquish the permits, Sola and Leysono. In accordance with the Company's accounting policy, any costs already capitalised were charged to the Statement of Income (Loss) and Comprehensive Income (Loss).

4. PLANT AND EQUIPMENT

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**

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**
Opening 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**

5. SHARE CAPITAL

(a) Authorised Share Capital

At December 31, 2013, 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, December 31, 2013	**66,159,894**	**35,593,423**

Details of issues of common shares

(i) On May 13, 2013, the Company issued 141,192 common shares for $100,000 as part of the consideration for the purchase of two exploration properties located in the Banfora Belt in south-western Burkina Faso, West Africa.

(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 $	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	1,005,000	0.80	January 31, 2018
	5,055,000		

No options have been exercised in the year ended December 31, 2013.

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.

(d) Stock-Based Compensation

For the year ended December 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	CAD$0.80
Estimated fair value of compensation recognised	324,813
Balance to be recognised over remaining vesting period	65,176
Estimated fair value per option	39c

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 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

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.

(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 are as follows:

	$
Fair value at December 31, 2011	1,087,727
Fair value loss on warrants carried at fair value through profit and loss	3,136,711
Fair value at December 31, 2012	4,224,438
Fair value (gain) on warrants carried at fair value through profit and loss	(4,224,438)

Fair value at December 31, 2013	-

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	-	-
Broker Warrants issued November 2, 2011	973,656	CAD$0.90	-	-
Shareholder Warrants issued October 16, 2012	6,666,667	CAD$1.20	-	-
Shareholder Warrants issued November 14, 2012	1,000,000	CAD$1.20	-	-
Shareholder Warrants issued November 15, 2012	277,778	CAD$1.20	-	-
Total	**18,187,457**		**-**	**-**

During the period, the warrants issued on November 2, 2011 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 November 2, 2011	1.1%	0%	95%	0 years and 1 month
Broker Warrants issued November 2, 2011	1.1%	0%	95%	0 years and 1 month
Shareholder Warrants issued October 16, 2012	1.1%	0%	95%	1 year and 1 month
Shareholder Warrants issued November 14, 2012	1.1%	0%	95%	1 year and 2 months
Shareholder Warrants issued November 15, 2012	1.1%	0%	95%	1 year and 2 months

6. INCOME TAXES

A reconciliation of the income tax at statutory rates is as follows:	**December 31, 2013**	**December 31, 2012**
Profit / (Loss) for the period before income tax	503,423	(7,386,131)
"Prima facie" income tax expense at 28.5% (2012: 28.5)	143,376	(2,105,047)
Tax effect of permanent differences:		
Stock – based payments	117,465	148,226
Foreign exchange (gains) / losses	170,189	(53,045)
Revaluation of warrant liability	(1,203,965)	893,963
Tax deductions for capital raising costs in Equity	(117,098)	(117,098)
Other	(18,548)	5,653
Adjustment in respect of global tax rate differences	13,606	(20,982)
Deferred tax assets not brought to account	894,975	1,248,330
Income tax expense	-	-

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	December 31, 2013	**December 31, 2012**

	$	$
Deferred tax liabilities:	-	-
Deferred tax assets		
Tax losses	2,834,067	1,911,039
Capital raising costs expensed	99,106	140,585
	2,933,173	2,051,624
Deferred tax assets not recognised	(2,933,173)	(2,051,624)
Deferred tax assets recognised at 31 December	-	-

Unrecognised deferred tax assets

	December 31, 2013	December 31, 2012
Deferred tax assets have not been recognised in respect of the following items:	$	$
Tax losses - Canada	1,671,304	913,542
Tax losses - Liberia	28,082	11,811
Tax losses - Burkina Faso	764,026	620,888
Tax losses - Mali	370,655	364,798
Capital raising costs expensed	99,106	140,585
	2,933,173	2,051,624

The realisation of income tax benefits related to these potential tax deductions is uncertain and cannot be viewed as more likely than not. 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, 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 December 31, 2013, 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 $Nil (2012: $4,224,438).

(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, 2013	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
Cash and cash equivalents	920,278	789,163	21,584
Payables	54,321	67,103	-
		As at December, 31 2012	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
Cash and cash equivalents	1,231,574	12,879,220	18,957
Payables	35,501	78,521	-

Sensitivity

Based on the financial instruments held as at December 31, 2013, 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 over the 12 month reporting period ending December 31, 2013.

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

		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
		As at December 31, 2012	
	AUD	**CAD**	**Euro**
	$	**$**	**€**
USD Strengthened by 10%	(116,081)	(1,178,679)	(2,282)
USD Weakened by 10%	141,877	1,440,612	2,789

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, 2013, 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 $Nil.

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 responds 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, 2013. 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 sale of equity securities. 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.

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 %	
				2013	2012

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	**80**	**65**
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, 2013**

	Burkina Faso	Mali	Liberia	Other	Total
	$	$	$	$	$
Exploration and evaluation assets	19,890,039	464,023	3,899,092	-	24,253,154
Plant and equipment	509,208	-	101,636	69,339	680,183
Total non – current assets	**20,399,247**	**464,023**	**4,000,728**	**69,339**	**24,933,337**

December 31, 2012

	Burkina Faso	Mali	Liberia	Other	Total
	$	$	$	$	$
Exploration and evaluation assets	13,023,510	368,319	3,018,137	-	16,409,966
Plant and equipment	541,546	-	108,090	73,743	723,379
Total non – current assets	**13,565,056**	**368,319**	**3,126,227**	**73,743**	**17,133,345**

11. BASIC AND DILUTED LOSS PER SHARE

	December 31, 2013 Cents per share	December 31, 2012 Cents per share
Basic profit / (loss) per share	**0.8**	**(13.6)**
Diluted profit / (loss) per share	**0.8**	**(13.6)**

	$	$
Net loss used in calculating basic/diluted loss per share	**503,423**	**7,386,131**
Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	**66,108,446**	**54,379,607**

Diluted income per share as at December 31, 2013 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, 2013 $	December 31, 2012 $
Profit /(loss) for the period	503,423	(7,386,131)
Depreciation	35,244	23,016
Exploration expenditure written off	602,319	1,407,762
Stock-based payments	412,157	520,091
Fair value loss/(gain) on warrants	(4,224,438)	3,136,711
Net exchange and translation differences (gain)/loss	586,763	(227,770)
Net cash outflows used in operating activities before change in working capital	(2,084,532)	(2,526,321)
Change in working capital		
Increase/(decrease) in accounts payable and accrued liabilities	28,470	(58,199)
Net cash outflows used in operating activities	(2,056,062)	(2,584,520)

13. COMMITMENTS

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

	December 31,2013 $	December 31, 2012 $
Less than one year	18,220	55,224
Between 1 and 2 years	431	17,456
Total	18,651	72,680

The Company has no contingencies (2011: Nil).

14. KEY MANAGEMENT COMPENSATION

Year	Salary	Directors Fees	Share-based awards (2)	Annual incentive plans	Pension value (1)	All other compensation	Total compensation
2013	945,598	133,955	287,156	184,555	70,166	-	**1,621,430**
2012	850,654	168,517	298,350	265,787	69,658	53,884	**1,706,850**

Notes:

(1) The Company is required by applicable law in Australia to make an annual contribution of 9% 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.