SARAMA RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the quarter and period ended September 30, 2014

(November 29, 2014)

(All amounts expressed in United States dollars, unless otherwise indicated)

INTRODUCTION

The following management's discussion and analysis ("**MD&A**") is intended to supplement the condensed consolidated financial statements of Sarama Resources Ltd. (the "**Company**" or "**Sarama**") and its subsidiaries for the quarter and period ended September 30, 2014.

The condensed consolidated financial statements for the quarter and period ended September 30, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in United States dollars, unless otherwise stated.

This MD&A is current as at November 29, 2014.

Additional information relating to the Company is available on SEDAR at www.sedar.com under the Company's profile.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the Company's planned exploration and development activities, costs and timing of future exploration, results of future exploration and drilling, timing and receipt of approvals, consents and permits under applicable legislation, and the adequacy of financial resources. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance are not statements of historical fact and may be forward-looking information. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify forward-looking information.

Forward-looking information is subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied by the forward-looking information, including, without limitation: our limited operating history, negative operating cash flow and need for additional financing; the early stage of our exploration and the fact that we have no mineral reserves; global economic conditions; our dependence on key management and qualified personnel; exploration, development and mining risks; title and property risks; risks related to the presence of artisanal miners; risks associated with operations in Africa; risks associated with maintaining a skilled workforce; risks relating to government regulations; environmental laws, regulations and risks; uncertainty regarding our ability to acquire necessary permits and comply with their terms; infrastructure risks; uninsurable risks; risks regarding our ability to enforce our legal rights; market factors and volatility of commodity prices; fluctuations in foreign exchange rates; competition; acquisition risks; conflicts of interest; price volatility in publicly traded securities; dilution; dividends and "passive foreign investment company" tax consequences to U.S. shareholders.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

Assumptions have been made regarding, among other things: our ability to carry on exploration and development activities, our ability to meet our obligations under our property agreements, the timing and results of drilling programs, the discovery of mineral resources and mineral reserves on our mineral properties, the timely receipt of required approvals, the price of gold, the costs of operating and exploration expenditures, our ability to operate in a safe, efficient and effective manner and our ability to obtain financing as and when required and on reasonable terms. You are cautioned that the foregoing list is not exhaustive of all factors and assumptions that may have been used.

Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. We cannot assure you that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. We do not undertake to update any forward-looking information, except in accordance with applicable securities laws.

OVERVIEW

Sarama is a Canadian-incorporated mineral exploration company whose principal business objective is to explore for and develop gold deposits in West Africa.

The Company was incorporated on April 8, 2010 under the Business Corporations Act (British Columbia). The Company's primary office is located in Perth, Western Australia. The Company's common shares are listed on the TSX Venture Exchange ("**TSXV**"). The Company's symbol is "SWA".

The Company has built substantial early-stage exploration landholdings in prospective and underexplored areas in West Africa. As at September 30, 2014, the Company had exploration landholdings in Burkina Faso (2,402 km^2), Liberia (780 km^2) and Mali (110 km^2).

The Company's strategy is to maintain a presence across three jurisdictions. This provides optionality on its portfolio and allows it to better manage geopolitical risk and events that may affect the Company's ability to operate.

The Company takes a systematic approach to exploration and typically moves through the following steps to achieve its exploration outcomes:

1. regional targeting for permit selection;
2. first-pass broad-based soil sampling;
3. in-fill soil sampling;
4. follow up aircore ("**AC**") and rotary air blast ("**RAB**") drilling;
5. reverse circulation ("**RC**") drilling on identified targets; and
6. diamond drilling on identified targets;

Concurrent with the above steps, the Company may undertake geophysics utilising induced polarisation ("**IP**"), magnetic, gravity and radiometric methods.

THIRD QUARTER HIGHLIGHTS

- *Closing of C$3.15m financing.* The Company announced on July 4, 2014 that it had closed its non-brokered private placement which was announced on May 12, 2014. The Company raised aggregate gross proceeds of C$3,148,080 from the non-brokered private placement. Each unit was priced at C$0.15 and consisted of one common share and one half of one common share purchase warrant. Each whole share purchase warrant is exercisable into one common share for a period of two years at a price of C$0.20 per share.
- *Update on joint venture progress with Savary Gold.* The Company announced on July 8, 2014 that Savary Gold Corp. ("Savary") had completed the earn-in portion of the option agreement for the Houndé South gold project. The earn-in was a pre-condition of the Savary-Sarama Joint Venture. Sarama entered in to a Heads of Agreement with Savary on March 10, 2014 to establish a Joint Venture Company ("JVCo") holding Sarama's Sérakoro 1 property and Savary's Houndé South property in Burkina Faso. The JVCo will be 65% owned by Savary and 35% owned by Sarama and covers an area of 750km^2.
- *Positive metallurgical test results from Houndé South joint venture property*. The Company announced on August 21, that Savary had recently announced that preliminary metallurgical testing results showed gold recoveries averaged in excess of 93% for sulphide/non-oxidised mineralisation from three prospects on the

Houndé South property. The Houndé South property is part of the permit package under a Head of Agreement for the formation of a Joint Venture ("JV") between Sarama and Savary, who will retain operatorship.

- *Completion of a successful initial scout drill program in western Liberia*. The Company announced on September 8, 2014 the successful completion of its initial drill program at the Company's Cape Mount Project in western Liberia. The reconnaissance drill program featured widely spaced drill fences along an 8km portion of a previously delineated 15km-long soil anomaly. The drill program confirmed the presence of shallow, in-situ gold mineralisation within altered and locally deformed mafic and ultramafic volcanic rocks.
- *Drilling extends strike length of mineralisation to 7.3km at the South Houndé project in Burkina Faso*. The Company announced on September 9, 2014 that a shallow, wide-spaced 8,100m air-core drill program conducted at its South Houndé Project in south-western Burkina Faso has delineated another 1.8km of gold mineralisation at the Obi Prospect, bringing the total strike length of semi-continuous mineralisation defined along the Tankoro structural corridor to 7.3km.
- *Finalisation of joint venture arrangements with Savary Gold Corp*. The Company announced on September 11, 2014 that it is had completed joint venture negotiations and executed a binding agreement with Savary. This followed a Heads of Agreement signed between the parties on March 10, 2014. The joint venture unifies the operatorship of Sarama's 250 square kilometre Sérakoro 1 property (held under option) and Savary's 500 square kilometre Houndé South property in Burkina Faso. The resultant joint venture company is 65% owned by Savary and 35% owned by Sarama with Savary the operator as long as it controls a majority interest in the joint venture project. Savary has previously reported that the combined properties host 50 kilometre and 24 kilometre, mining camp scale, gold-in-soil anomalies, which when tested, have returned numerous gold-bearing intercepts that will require follow-up.

EVENTS SUBSEQUENT TO BALANCE DATE

- *Earn in agreement with Acacia Mining (formerly African Barrick Gold) for an interest in the South Hounde Permits*. On November 27, 2014, the Company announced an agreement with Acacia Mining plc ("Acacia", formerly known as African Barrick Gold plc) relating to Sarama's South Houndé Project in Burkina Faso whereby Acacia will have the option to earn up to a 70% interest in the Project by satisfying certain conditions over a 4-year earn-in period and then the right to acquire an additional 5% interest, for an aggregate 75% interest in the Project, upon declaration of a minimum mineral reserve.

CORPORATE

As at September 30, 2014, the Company had cash and cash equivalents of $2,979,454 and no debt.

On May 12, 2014 the Company commenced a non-brokered private placement to raise gross proceeds of up to $3,000,000 Canadian Dollars ("**C$**").

On July 4, 2014, the Company closed the abovementioned non-brokered private placement. The Company raised gross proceeds of C$3,148,855 with the issuance of 20,992,366 common shares and 10,496,183 warrants. The key conditions of the warrants are a term of 2 years and an exercise price of C$0.20.

EXPLORATION ACTIVITIES

Burkina Faso

As at September 30, 2014 the Company had interests, directly and indirectly, in properties covering an area of 2,402 km^2.

The primary exploration focus of the Company has been its South Houndé Project which is situated in south-west Burkina Faso near the borders of Ghana and Côte d'Ivoire, 260 km south-west of the national capital of Ouagadougou. The South Houndé Project is located in the Houndé Belt, which hosts Semafo Inc.'s Mana Gold Mine and Endeavour Mining Corp's Houndé Gold Project.

During the third quarter of 2014, the Company reviewed the results of its 8,100m aircore drill program at its Tankoro property, trenching work and continued metallurgical testwork on mineralisation sourced from the Mineral Resource at the Tankoro property. Exploration field activity ceases between July and September each year in Burkina Faso with the onset of the wet season.

During the quarter, there were no changes to its landholding in Burkina Faso.

Tankoro Property

Location and Size

The Tankoro property is part of the Company's South Houndé Project and covers an area of 250 km^2.

Permit Status

In early 2011, the Company entered into an option agreement to acquire the Tankoro permit. The Company had the right to earn up to a 100% interest with a trailing 1.5% Net Smelter Return ("**NSR**") royalty, which the Company had an option to acquire for $1 million at any time after the Company has taken ownership of the permit.

On November 2, 2012, the Company 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 royalty for any future mineral production from the Property. The Company retains the right to acquire the NSR royalty for $1 million at any time.

On March 23, 2013, the Burkina Faso Ministry of Mines and Energy issued the exploration permit to a Sarama wholly-owned subsidiary. The permit contained no additional conditions and is valid until December 17, 2014. In accordance with the Burkina Faso Mining Code, the Company can elect to renew the permit for a further three years from this expiry date.

Exploration Update

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

Initial scout drilling identified several prospective areas including the MM, MC, Phantom, Guy and Obi Prospects.

The main exploration focus for the Tankoro property has been the MM Prospect. After a successful scout RC drilling program conducted in late 2011 to test a high-grade gold-in-soil anomaly, subsequent RC and diamond drilling programs totalling 14,200 metres and 13,500 metres respectively were conducted throughout 2012. These programs led to the delineation of a significant mineralised system at the MM Prospect, consisting of stacked mineralised zones extending over a 1.4 kilometre distance along strike and to 250 metres vertical depth. Gold mineralisation appears to be shoot controlled and is of a disseminated sulphide style. The mineralisation is generally hosted in steeply dipping quartz-feldspar-porphyry dykes, many of which extend over a strike length of 1 kilometre. The true thickness of the main mineralised porphyry zone varies from 2 to 20m, with an average width of approximately 10m. The geometry and grades of the mineralisation intersected in the drilling programs appear to be amenable to open pit mining.

In the second quarter of 2012, the Company undertook a 14,000 metre RAB drilling program which was designed to test gold-in-soil anomalies within a 5 kilometre radius of the MM Prospect. This program provided valuable information for planning future exploration within the 20 kilometre-long Tankoro Structural Corridor.

In the fourth quarter of 2012, a ground-based IP geophysical program was undertaken over the known mineralisation of the MM Prospect. The results showed a reasonable correlation between mineralisation defined by drilling and IP geophysical signatures.

In the first quarter of 2013, the Company completed 4,138 metres of diamond drilling, 12,726 metres of RC drilling and 25,161 metres of AC drilling. The diamond and RC drilling was focused on near-field extensions of mineralisation at the MM Prospect, both along strike and in the footwall and hangingwall lodes. The drilling programs extended the strike length of mineralisation at the MM Prospect by 25% to 1.9 kilometres as well as confirming continuity to a depth of 260 metres vertical. Of note was the definition of a thick (approximately 15m true width), high-grade zone in the south of the mineralised system, which remains open at depth and to the south. The identification of this high-grade zone, combined with its continuity, has led to the generation of a legitimate underground exploration target.

The AC drilling was undertaken to test anomalies identified during the ground-based IP program which occurred in the fourth quarter of 2012 in the Tankoro structural corridor. This drilling confirmed the presence of mineralisation at several prospects which will be further tested with RC drilling.

Following the success of the initial test grid, an expanded IP survey, covering a strike length of 9 kilometres was undertaken to the north and south. The results of this survey are being used successfully to generate drill targets and improve the understanding of the geological setting.

In the second quarter of 2013, the Company completed 1,732 metres of diamond drilling, 6,651 metres of RC drilling and 13,603 metres of aircore drilling. The Company focussed its exploration work on the three main prospects on its Tankoro property, namely, MM, MC and Phantom.

At the MM and Phantom Prospects, infill drilling was undertaken to support and assist with resource definition and preparation of the maiden mineral resource. The Company also commenced drilling an IP target east of the MM Prospect, which following positive drill results, was named the MC Prospect. The MC Prospect was not detected in original soil sampling programs due to the area showing no gold response due to transported material. Following the IP survey undertaken in November 2012 and scout AC drilling in the area, numerous targets have been generated and are being systematically followed up with drill programs, the results of which are encouraging.

During the third quarter no field activities were undertaken on the Tankoro Property. The Company normally has an annual shutdown for the period from July to September due to the onset of the rainy season in West Africa, which makes field activities less productive.

The focus of the Company during the third quarter was the interpretation of data by the technical team resulting in the Company publishing its maiden Mineral Resource on the Tankoro Property. The Inferred Mineral Resource of 29.13 Mt @ 1.6 g/t Au for 1.5 Moz (@ 0.8 g/t Au cut-off) was published on September 16, 2013 and is the culmination of two years of exploration work. The Mineral Resource extends over a strike length of 5.5 km and spans the MM, MC and Phantom Prospects.

During the fourth quarter of 2013, mapping and a limited amount of trenching activity was undertaken at Tankoro. No drilling activity was undertaken at Tankoro during the fourth quarter.

During the first quarter of 2014, mapping and trenching activity continued at Tankoro. Consistent with the fourth quarter of the previous year, no drilling was undertaken.

During the second quarter of 2014, the Company undertook a 9,000m AC program targeting oxide material with the aim of increasing the oxide resource to a size that may potentially support a heap leach operation on its South Houndé properties. The target area was situated immediately south west of the MM Prospect and extend over 3km in strike length. The drill program defined a significant strike extension to the MM Prospect and further drilling is anticipated to add materially to the existing oxide mineral resource. Multiple oxide targets remain in footwall zones and zones along trend to the north east of the MM Prospect.

There was also a small amount of trenching and fieldwork undertaken. Preliminary metallurgical testwork on mineralisation sourced from the Mineral Resource continued to show excellent oxidation and leaching characteristics and gold recoveries using the BIOX® oxidation route were excellent. Cost estimation work for a BIOX® flow sheet indicates that the cost impact is modest and manageable particularly in context of the head grades being considered in mine concept work.

Current quarter

The Company undertook limited exploration activity at Tankoro during the quarter. Field activities cease from July to September due to the onset of the wet season in Burkina Faso, making movement in the field difficult. The Company announced the results of its aircore drilling program at the Obi prospect in the second quarter (Refer news release dated September 9, 2014) with the result being that the Company delineated another 1.8km of gold mineralisation, bringing the total strike length of semi-continuous mineralisation to 7.3km.

During the quarter, in respect of the Tankoro property, the Company progressed a comprehensive metallurgical testwork program to examine the amenability and viability of a sulphide-based flotation concentrate to oxidation by both the BIOX® and Albion Process™ technologies. These competing and commercially used technologies are integrated into a conventional gold plant and act as a pre-conditioning stage for a flotation concentrate prior to gold recovery by standard cyanidation.

The testwork will increase confidence in the economic potential of the South Houndé Project and will enhance early scoping work being used to guide exploration toward achieving a mineral resource base capable of supporting project development.

While the Company fully acknowledges it has yet to define sufficient mineral resources to contemplate the commencement feasibility studies, the confirmation of two alternative processing flowsheets by the testwork at this early stage will be encouraging.

Other Burkina Faso Properties

During the third quarter all field activities ceased due to the onset of the wet season in Burkina Faso from July to September.

Outlook

On November 27, the Company entered into an agreement with Acacia Mining plc ("Acacia”) relating to Sarama’s South Houndé Project (the “Project”) in Burkina Faso whereby Acacia will have the option to earn up to a 70% interest in the Project by satisfying certain conditions over a 4-year earn-in period and then the right to acquire an additional 5% interest, for an aggregate 75% interest in the Project, upon declaration of a minimum mineral reserve.

Key commercial terms of the agreement are as follows:

- Acacia makes a cash payment of US$1 million to Sarama upon completion;
- Acacia will earn a 50% interest in the Project upon the expenditure of US$7 million by the end Year 2;
- Acacia will earn an additional 20% interest, for an aggregate 70% interest in the Project upon the expenditure of a further US$7 million by the end Year 4;
- upon Acacia acquiring a 70% interest in the Project, Sarama and Acacia will advance the Project under a joint venture arrangement with both parties funding the venture according to their proportionate interests; and
- upon attaining a 70% interest in the Project, Acacia will have the right to acquire an additional 5% interest, for an aggregate 75% interest in the Project, upon the declaration of a mineral reserve of at least 1.6 million ounces of gold.

Field activities will commence immediately with a focus on deeper drilling on the high-grade lenses with the MM and MC Prospects on the Tankoro property using diamond drilling and RC rigs, and a continuation of Sarama's

AC drill program to define shallow oxide ounces. A project-wide exploration program will be scheduled after this first 3 month drill program.

Qualified Person's Statement

Scientific or technical information in this MD&A that relates to the Company's exploration activities in Burkina Faso is based on information compiled or approved by Michel Mercier. Mr Mercier is a consultant of Sarama Resources Ltd and is a member in good standing of the Ordre des Géologues du Québec and has sufficient experience which is relevant to the commodity, style of mineralisation under consideration and activity which he is undertaking to qualify as a Qualified Person under National Instrument 43-101. Mr Mercier consents to the inclusion in this presentation of the information, in the form and context in which it appears.

Scientific or technical information in this MD&A that relates to the preparation of the Company's mineral resource estimate is based on information compiled or approved by Adrian Shepherd. Mr. Shepherd is an employee of Cube Consulting Pty Ltd and is considered to be independent of Sarama Resources Ltd. Mr. Shepherd is a chartered professional member in good standing of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the commodity, style of mineralisation under consideration and activity which he is undertaking to qualify as a Qualified Person under National Instrument 43-101. Mr. Shepherd consents to the inclusion in this MD&A of the information, in the form and context in which it appears.

Liberia

The Company has interests, both directly and indirectly, in five properties covering a total of 780 km^2.

The exploration season in Liberia runs from January to May and October to mid-December. The rainy season commences in May and normally ends in late September. Liberia has a tropical climate with average rainfall of 250 millimetres per month during the rainy season.

During the quarter, the country of Liberia was affected by a regional outbreak of the Ebola virus. Whilst not affecting field activities as exploration had ceased for the rainy season, movement in and out of Liberia has been hampered. The Company has notified the Liberian government that it has invoked the Force Majeure provisions in its permits terms and conditions until further notice

There were no changes to the status of the permits in Liberia during the third quarter of 2014.

Outlook

The Company is monitoring the status of the Ebola outbreak and will recommence activities in-country once it is considered safe for our employees to do so.

Mali

The Company has interests in one property covering 110 km^2 in Mali.

Mali has been through a period of political and military instability since the coup d'état of April 2012. The Company continues to monitor the situation in Mali.

In 2014, the Company relinquished its office lease in Bamako. All exploration activity and administration is now managed from its Burkina Faso office.

During the quarter, field activity in Mali ceased with the onset of the wet season.

Outlook

The Company will continue to conduct low expense fieldwork on the Kandiolé Sud property to reinforce targets generated by previous reconnaissance surveys.

SELECTED QUARTERLY INFORMATION

The following table includes selected financial information for the past three years.

	Quarter ended September 30, 2014	Quarter ended September 30, 2013	Quarter ended September 30, 2012
Interest income	$3,498	$12,305	$12,261
Net (loss)	($286,788)	($258,544)	($2,401,075)
Basic and diluted (loss) per common share (cents)	(0.4c)	(0.0c)	(8.3c)
Total assets	$29,634,878	$30,124,558	$20,806,707
Total liabilities	$671,241	$469,356	$2,601,551

RESULTS OF OPERATIONS

	Quarter ended September 30, 2014 $	Quarter ended September 30, 2013 $	Nine months ended September 30, 2014 $	Nine months ended September 30, 2013 $
Interest income	3,498	12,305	13,210	65,035
Other income	1,617	-	18,122	-
Fair value gain on warrants liability	426,631	191,050	426,631	4,126,888
Accounting and audit	(20,822)	(25,488)	(92,847)	(90,041)
Salaries	(158,264)	(228,874)	(577,628)	(883,679)
Directors fees	(31,759)	(33,420)	(78,297)	(100,833)
Professional fees	(10,754)	(32,020)	(47,145)	(98,628)
Office and general	(42,695)	(91,658)	(149,845)	(229,286)
Travel	(3,104)	(20,789)	(12,253)	(137,540)
Marketing and investor relations	(66,744)	(27,949)	(202,264)	(106,902)
Insurance	(31,788)	(9,449)	(58,242)	(25,753)
Total general and administration	(365,930)	(469,647)	(1,218,521)	(1,672,662)
Stock-based compensation	(5,369)	(49,149)	(48,242)	(363,544)
Foreign exchange gain/(loss)	(137,060)	65,766	(75,741)	(477,789)
Exploration expenditure written off	(203,540)		(890,045)	(81,818)
Depreciation	(6,635)	(8,869)	(24,315)	(26,344)
Net profit/(loss)	**(286,788)**	**(258,544)**	**(1,798,901)**	**(1,569,766)**

Interest income

Interest income is earned on funds held in term deposits denominated in United States dollars, Australian dollars and Canadian dollars. Interest income has declined from the comparative period due to the lower cash balances held by the Company during the current period of 2014 when compared to the previous year.

Fair value gain on warrant liability

As part of the equity raisings undertaken by the Company, shareholders will, at times, receive warrants in addition to the shares issued by the Company.

To comply with IFRS, the Company is required to record the full fair value of the warrants at the time of issue as a liability and revalue them to fair value each quarter. Should they be exercised then they would, at that point, be recorded in Share Capital.

At balance date' the Company had 18,440,628 warrants issued. 7,944,445 warrants were issued as part of the capital raising that occurred in October and November 2012. A further 10,496,183 warrants were issued as part of the non-brokered private placement in May and June 2014.

These outstanding warrants are revalued to fair value at the end of each reporting period using the Black-Schöles Option Pricing Model utilising the assumptions disclosed in the condensed interim consolidated financial statements. For the nine months ended September 30, 2014 the value of these warrants was $233,600 (December 31, 2013: $Nil).

Foreign exchange loss

The Company holds cash reserves in Australian Dollars, Canadian Dollars, United States Dollars, Euros and West African Francs to fund exploration and evaluation activity and pay general and administration costs. The foreign exchange gains and losses disclosed represent fluctuations in the exchange rates of non-United States dollar cash balances.

The third quarter of 2014 has seen a significant increase in the value of the United States Dollar when compared to its main currencies. This has resulted in an unrealised foreign exchange loss in value of amounts held in other currencies listed above.

General and administration

General and administration expenses have decreased significantly by $454,141 to $1,218,521 when compared to the nine months ended September 30, 2013. General and administrative expenses represent the costs incurred in maintaining the administration function in Perth, Western Australia, listing and compliance costs and investor relation costs. Cost reduction has been a key priority of the management team over the past 12 months.

The key movement was the reduction in the salaries when compared to previous year. No annual bonus was paid this year, one staff position has been removed and support staff hours have been reduced.

Stock-based compensation

The Company operates a TSX-V and shareholder-approved stock option plan.

On January 30, 2014 the Company issued 1,415,000 options to directors, executives and employees.

The Company's accounting policy with respect to stock-based compensation is detailed in Note 2 "Significant Accounting Policies" in the Consolidated Financial Statements for the year ended December 31, 2013.

The stock-based compensation costs reflect the calculated value of the option issues mentioned above.

Depreciation

The depreciation charge relates to the assets held at the Perth office. The charge has increased in the quarter in line with the increase in the number of fixed assets in use in the Perth office.

EXPLORATION AND EVALUATION EXPENDITURE

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". The Company has capitalised $2,568,304 for the nine months ended September 30, 2014 on exploration and evaluation activities.

SUMMARISED QUARTERLY RESULTS

Summarised quarterly results for the past eight quarters are:

Quarter ended	Interest income	Net profit/(loss) for the period	Basic earnings/(loss) per share	Diluted earnings/(loss) per share
September 30, 2014	$3,498	$ (286,788)	(0.4c)	(0.4c)
June 30, 2014	$3,552	$(1,102,885)	(1.5c)	(1.5c)
March 31,2014	$6,160	$(409,229)	(0.6c)	(0.6c)
December 31, 2013	$10,143	$(1,040,018)	(1.6c)	(1.6c)
September 30, 2013	$12,305	$(258,544)	(0.0c)	(0.0c)
June 30, 2013	$23,565	$4,412	0.1c	0.0.c
March 31, 2013	$29,165	$1,797,573	3.1c	3.1c
December 31, 2012	$8,297	$(3,117,424)	(5.5c)	(5.5c)
September 30, 2012	$12,261	$(2,401,075)	(4.7c)	(4.7c)

The primary driver for the variance in net profit and loss over the quarters is the movement in the value of the warrant liability. The warrant liability is recalculated at the end of each quarter. The calculation of the liability is sensitive to the share price at the end of each quarter.

If the effect of the movement in the warrant liability is removed, the loss incurred by Sarama each quarter is broadly consistent quarter on quarter. The only other components of the net profit and loss are the general and administrative costs of running the Perth office, foreign exchange gains and losses, stock-compensation costs and depreciation.

LIQUIDITY AND CAPITAL RESOURCES

At this point in time, the Company does not generate cash from mining operations. In order to fund its exploration and administrative activities, the Company is dependent upon raising capital through the issue of shares. The Company continues to believe such financing will be available, as and when required and on acceptable terms but there is no guarantee that is the case.

As at September 30, 2014 the Company had working capital of $2,504,698. Working capital is defined as current assets less current liabilities.

COMMON SHARE DATA (as at November 29, 2014)

Common shares outstanding	87,152,260
Options issued to directors, executive officers, employees and a consultant	6,470,000
Warrants issued to shareholders and agents	10,496,183
Common shares outstanding assuming exercise of all options and warrants	104,118,443

RISK AND UNCERTAINTIES

The Company's operations and results are subject to a number of different risks at any given time. These risk factors include, but are not limited to:

1. exploration and development risk;
2. market factors and volatility of commodity prices;
3. negative operating cash flow and the need for additional financing;
4. limited operating history;
5. global economic conditions;
6. price volatility in publicly traded securities;
7. title and property risks;
8. dependence on key management and qualified personnel;
9. risks associated with operations in Africa;
10. risks associated with maintaining a skilled workforce;
11. risks relating to government regulations;
12. environmental laws, regulations and risks;
13. uncertainty of acquiring necessary permits and compliance with terms;
14. infrastructure risks;
15. uninsurable risks;
16. enforcement of legal rights;
17. risks relating to the presence of artisanal miners;
18. fluctuations in foreign exchange rates;
19. competition;
20. acquisition risks;
21. conflicts of interest;
22. dilution;
23. dividends; and
24. PFIC classification.

For a detailed explanation of each of these risks number 1 to 24, please refer to page 15 of the Company's Annual Information Form dated November 21, 2013. The Company's Annual Information Form is published at www.sedar.com.

OFF-BALANCE SHEET TRANSACTIONS

During the quarter ended September 30, 2014, and up to the date of this report, the Company had no off-balance sheet transactions.

CHANGES IN ACCOUNTING POLICIES

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

IAS 36 *"Impairment of Assets"* ("IAS 36") **-** In 2013, the IASB issued amendments to IAS 36 that requires entities to disclose the recoverable amount of impaired Cash Generating Units ("CGU"). These amendments are effective for annual periods beginning on or after January 1, 2014; accordingly, the Company has adopted these amendments for the current period. These amendments had no material impact on the consolidated financial statements.

IFRIC 21 *"Levies"* ("IFRIC 21") **-** IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subject to significant levies. These amendments are effective for annual periods beginning on or after January 1, 2014; accordingly, the Company has adopted these amendments for the current period. These amendments had no material impact on the consolidated financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS 9, *"Financial Instruments",* which has been issued in final in July 2014 with an effective date of January 1, 2015, addresses the classification and measurement of financial assets and financial liabilities and hedge accounting. IFRS 9 replaces the parts of IAS 39, "*Financial Instruments: Recognition and Measurement"* 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

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's Annual Information Form, is available on SEDAR at www.sedar.com.