Sarama Resources Ltd

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
MARCH 31, 2014

(Unaudited, Expressed in United States Dollars)

INDEX

DIRECTORS

T. Sean Harvey (Non-executive Chairman)
Andrew Dinning (President and CEO)
L. Simon Jackson (Non-executive Director)

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TSX.V CODE

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

	Note	As at March 31, 2014 $	As at December, 31 2013 $
ASSETS			
Current assets			
Cash and cash equivalents		2,927,336	4,200,852
Security deposit		32,340	31,035
Accounts Receivable		47,832	26,094
Prepayments		20,785	20,785
Total current assets		3,028,293	4,278,766
Non-current assets			
Exploration and evaluation assets	4	25,022,751	24,253,154
Property, plant and equipment	5	642,927	680,183
Total non-current assets		25,665,678	24,933,337
Total assets		28,693,971	29,212,103
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		263,280	372,118
Total current liabilities		263,280	372,118
Total non-current liabilities		-	-
Total liabilities		263,280	372,118
EQUITY			
Share capital	6(b)	35,593,423	35,593,423
Stock-based compensation reserve		2,040,295	2,002,791
Foreign currency translation reserve		5,913	96,035
Deficit		(9,208,940)	(8,852,264)
Total equity		28,430,691	28,839,985
Total liabilities and equity		28,693,971	29,212,103

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

Condensed Consolidated Statement of Comprehensive Income / (Loss)
Expressed in United States Dollars
(Unaudited)

	Note	Three month period ended March 31, 2014 $	Three month period ended March 31, 2013 $
Income			
Interest income		6,160	29,165
Other income		6,357	-
Fair value gain on warrants carried at fair value through profit and loss		-	3,003,354
		12,517	3,032,519
Expenses			
Accounting and audit		23,189	15,469
Stock-based compensation		37,504	265,246
Salaries		167,870	409,713
Directors Fees		23,007	34,176
Professional fees		18,267	14,651
Office and general		56,141	68,357
Travel		2,942	40,689
Marketing and investor relations		53,593	89,747
Depreciation		9,091	8,627
Foreign exchange loss		5,256	252,850
Insurance		13,682	35,421
Exploration expenditure written off		11,204	-
Total expenses		421,746	1,234,946
(Loss) / Profit before income tax		(409,229)	1,797,573
Income tax expense		-	-
(Loss) / Profit for the period		(409,229)	1,797,573
Other comprehensive (loss)			
Exchange differences on translation of foreign operations		(90,116)	(216,354)
Comprehensive loss for the period		(499,345)	1,581,219
Basic and diluted earnings/ (loss) per common share (cents)	7	(0.6)	3.1

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

Condensed Consolidated Statement of Cash Flows
Expressed in United States Dollars
(Unaudited)

	Three months ended March 31, 2014 $	Three months ended March 31, 2013 $
Cash flows used in operating activities		
Payments to suppliers and employees	(443,385)	(634,408)
Interest received	6,160	29,165
Net cash used in operating activities	(437,225)	(605,243)
Cash flows used in investing activities		
Purchase of plant and equipment	4,472	(7,750)
Payments for exploration and evaluation	(781,317)	(2,789,866)
Net cash used in investing activities	(776,845)	(2,797,616)
Cash flows from financing activities		
Proceeds from issues of equity securities	-	-
Net cash used in/ generated by financing activities	-	-
Net decrease in cash and cash equivalents	(1,214,070)	(3,402,859)
Net foreign exchange differences	(59,446)	(251,393)
Cash and cash equivalents at beginning of the period	4,200,852	14,728,740
Cash and cash equivalents at end of the period	**2,927,336**	**11,074,488**

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

Condensed Consolidated Statement of Changes in Equity
Expressed in United States Dollars
(Unaudited)

	Number of common shares	Share Capital (note 6)	Stock - based compensation reserve	Foreign currency translation reserve	Deficit	Total
		$	$	$	$	$
Balance at January 1, 2013	**66,018,702**	**35,493,423**	**1,590,634**	**143,496**	**(9,355,687)**	**27,871,866**
Profit/(Loss) attributed to members of the company	-	-	-	-	1,797,573	1,797,573
Exchange differences on translation of foreign operations	-	-	-	(216,354)	-	(216,354)
Total comprehensive profit (loss) for the period	**-**	**-**	**-**	**(216,354)**	**1,797,573**	**1,581,219**
Transactions with owners in their capacity as owners:						
Stock-based compensation	-	-	265,246	-	-	265,246
Balance at March 31, 2013	**66,018,702**	**35,493,423**	**1,855,880**	**(72,858)**	**(7,558,114)**	**29,718,331**
Balance at January 1, 2014	**66,159,894**	**35,593,423**	**2,002,791**	**96,035**	**(8,852,264)**	**28,839,985**
Loss attributed to members of the company	-	-	-	-	(409,229)	(409,229)
Exchange differences on translation of foreign operations	-	-	-	(90,116)	-	(90,116)
Total comprehensive loss for the period	**-**	**-**	**-**	**(90,116)**	**(409,229)**	**(499,345)**
Transactions with owners in their capacity as owners:						
Stock-based compensation	-	-	37,504	-	-	37,504
Balance at March 31, 2014	**66,159,894**	**35,593,423**	**2,040,295**	**5,919**	**(9,261,493)**	**28,378,144**

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.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in United States Dollars, in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". They do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the Company for the year ended December 31, 2013.

The board of directors of the Company approved these condensed consolidated interim financial statements on the May 29, 2014.

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

Basis of Presentation

These condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. CHANGES IN ACCOUNTING POLICIES

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. 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.

3. ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

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.

Expressed in United States Dollars

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.

4. EXPLORATION AND EVALUATION ASSETS

The schedule below summarises the carrying amounts of acquisition costs and all capitalised exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at March 31, 2014:

	December 31, 2013	Movement 2014	March 31, 2014
	$	$	$
Burkina Faso			
Tankoro (a)			
Acquisition costs	353,097	-	353,097
Exploration expenditure	13,981,752	(27,137)	13,954,615
Other			
Acquisition costs	509,475	-	509,475
Exploration expenditure	5,566,217	594,644	6,160,861
Exploration expenditure written off	(520,501)	-	(520,501)
Total Burkina Faso	**19,890,040**	**567,507**	**20,457,547**
Mali			
Acquisition costs	71,105	(1,999)	69,106
Exploration expenditure	1,817,413	76,800	1,894,213
Exploration expenditure written off	(1,424,497)	(11,204)	(1,435,701)
Total Mali	**464,021**	**63,597**	**527,618**
Liberia			
Pedsam (b)			
Exploration expenditure	3,656,895	134,281	3,791,176
Other			
Acquisition costs	30,000	-	30,000
Exploration expenditure	277,281	4,212	281,493
Exploration expenditure written off	(65,083)	-	(65,083)
Total Liberia	**3,899,093**	**138,493**	**4,037,586**
Total	**24,253,154**	**769,597**	**25,022,751**

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.

Expressed in United States Dollars

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 March 31, 2014, Sarama's equity interest was 80% (March 31, 2013: 65%).

5. PLANT AND EQUIPMENT

March 31, 2014

	Plant and Equipment $	Motor Vehicles $	Office Equipment $	Total $
Opening net book value	292,460	227,238	160,485	680,183
Additions	-	-	4,472	4,472
Depreciation	(12,484)	(14,137)	(15,107)	(41,728)
Closing net book value	**279,976**	**213,101**	**149,850**	**642,927**
Cost	354,611	446,083	300,225	1,100,919
Accumulated depreciation	(74,635)	(232,982)	(150,375)	(457,992)
Closing net book value	**279,976**	**213,101**	**149,850**	**642,927**

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**

6. SHARE CAPITAL

(a) Authorised Share Capital

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

(b) Issued Share Capital

	Capital Stock Number	$
Balance, December 31, 2013	66,159,894	35,593,423
Balance, March 31, 2014	**66,159,894**	**35,593,423**

Expressed in United States Dollars

(c) Company stock option plan

The Company has a fixed stock option plan that provides for the issuance of up to 10% of the issued and outstanding shares of the Company. The board of directors is authorised to set the exercise price, expiry date, and vesting provisions for each grant, subject to the policies of the TSX Venture Exchange. The plan provides for a maximum grant period of five years. Options can be exercised at any time prior to their expiry date.

Details are as follows:

Grant Date	No.	Exercise Price $	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 30, 2013 (vested)	1,005,000	0.80	January 31, 2018
January 31, 2014 (partially vested)	1,415,000	0.28	January 31, 2017
	6,470,000		

No options have been exercised in the three months ended March 31, 2014.

On January 30, 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 $1.00 per share.

On January 31, 2014, the Company granted 1,415,000 options to directors, executive officers, management and employees in accordance with the Company's stock option plan. The option's vesting conditions were that 50% vest immediately and 50% vest 6 months from the date of grant. The options have a term of 3 years and are exercisable at a price of CAD $0.28 per share.

(d) Stock-based Compensation

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

	January 31, 2014
Total options granted	1,415,000
Exercise price	$0.28
Estimated fair value of compensation recognised (i)	21,476
Balance to be recognised over remaining vesting period (ii)	21,476
Estimated fair value per option	3.4c

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

	January 31, 2014
Risk-free interest rate	0.99%
Expected dividend yield	0%
Expected stock price volatility	105%
Expected option life in years	1.5 years

(ii) The options granted on January 31, 2014 vesting conditions were that 50% vest immediately and 50% vest 6 months from the date of grant.

Expressed in United States Dollars

(e) Warrants

The Company issued warrants as part of the common share issue in October and November, 2012. Changes in the fair value of these warrants since listing are as follows:

	March 31, 2014 $	March 31, 2013 $
Fair value at opening date	-	4,224,438
Fair value gain on warrants carried at fair value through profit and loss	-	3,003,354
Fair value at closing date	-	1,221,084

Warrant issue	Total Warrants Issued	Exercise Price	Estimated fair value of warrants (i)	Estimated fair value per warrant
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	**7,944,445**		-	-

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

Warrant issue	Risk – free interest rate	Expected dividend yield	Expected stock price volatility	Expected warrant life in years
Shareholder Warrants issued October 16, 2012	0.99%	0%	105%	6 months
Shareholder Warrants issued November 14, 2012	0.99%	0%	105%	7 months
Shareholder Warrants issued November 15, 2012	0.99%	0%	105%	7 months

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

	Three months ending March 31, 2014 Cents per share	Three months ending March 31, 2013 Cents per share
Basic (loss) / earnings per share	(0.6)	3.1
Diluted (loss) / earnings per share	(0.6)	3.1
Net (loss) / profit used in calculating basic/diluted loss per share	(409,229)	1,797,573
Weighted average number of shares on issue during the three months used in the calculation of basic loss per share	**66,159,894**	**57,956,279**

Expressed in United States Dollars

8. COMMITMENTS

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

	March 31, 2014 $	**December 31, 2013 $**
Less than one year	5,128	18,220
Between one and two years	255	431
Total	5,383	18,651

The Company has no contingencies (2013: Nil).

9. SUBSEQUENT EVENTS

On May 12, 2014 the Company commenced a non-brokered private placement (the "**Private Placement**") to raise gross proceeds of up to $3,000,000 Canadian Dollars ("**C$**"). The Private Placement involves the issuance of up to 20,000,000 units (the "Units") at a price of C$0.15 per Unit. Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant (each, a "Warrant"). Each Warrant will entitle the holder to purchase one common share of the Company for C$0.20 at any time prior to two years after the issue date.