

# **Sarama Resources Ltd**

*(An Exploration Stage Company)*

## **CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2016**

*(Unaudited, Expressed in United States Dollars)*

### **Notice of No Auditor Review**

The accompanying unaudited condensed consolidated interim financial statements of Sarama Resources Ltd. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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**DIRECTORS**

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Andrew Dinning (President and CEO)  
L. Simon Jackson (Non-executive Director)  
David A. Groves (Non-executive Director)

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**SHARE REGISTRY**

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**TSX.V CODE**

SWA

**Sarama Resources Ltd**  
*An Exploration Stage Company*  
**Condensed Consolidated Statement of Financial Position**  
*Expressed in United States Dollars*  
*(Unaudited)*

	Note	As at September 30, 2016 \$	As at December 31, 2015 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,613,802	1,154,277
Security deposits		26,860	25,513
Accounts receivable		624	70,276
Prepayments		3,416	32,413
Assets held for sale		-	481,438
<b>Total current assets</b>		<b>1,644,702</b>	<b>1,763,917</b>
<b>Non-current assets</b>			
Exploration and evaluation assets	4	20,806,882	20,780,322
Plant and equipment	5	387,202	416,078
Investment in associate	6	916,449	905,723
Royalty		23,131	-
<b>Total non-current assets</b>		<b>22,133,664</b>	<b>22,102,123</b>
<b>Total assets</b>		<b>23,778,366</b>	<b>23,866,040</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		381,267	568,888
Financial liabilities	7(e)	3,108,325	95,004
<b>Total current liabilities</b>		<b>3,489,592</b>	<b>663,892</b>
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>3,489,592</b>	<b>663,892</b>
<b>EQUITY</b>			
Share capital	7(a)	39,461,044	38,236,332
Stock-based compensation reserve	7(d)	2,129,665	2,095,718
Foreign currency translation reserve		(199,851)	(187,811)
Deficit		(21,102,084)	(16,942,091)
<b>Total equity</b>		<b>20,288,774</b>	<b>23,202,148</b>
<b>Total liabilities and equity</b>		<b>23,778,366</b>	<b>23,866,040</b>

These financial statements are authorised for issue by the Board of Directors on November 23, 2016.

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.*

**Sarama Resources Ltd**  
*An Exploration Stage Company*  
**Condensed Consolidated Statement of Loss and Comprehensive Loss**  
*Expressed in United States Dollars*  
*(Unaudited)*

	Three month period ended Sept 30, 2016 \$	Three month period ended Sept 30, 2015 \$	Nine month period ended Sept 30, 2016 \$	Nine month period ended Sept 30, 2015 \$
<b>Income</b>				
Interest income	372	345	671	3,047
Other income	-	-	11,607	-
Fair value gain on warrants carried at fair value	-	94,354	-	49,946
Foreign exchange gain	-	-	7,076	-
	372	94,699	19,354	52,993
<b>Expenses</b>				
Accounting and audit	-	9,794	33,790	71,149
Corporate development	8,081	-	39,422	-
Depreciation	2,299	6,656	10,358	21,665
Directors fees	16,956	22,068	56,255	96,003
Exploration expenditure written off	-	2,302,147	-	2,302,147
Foreign exchange loss	5,045	14,131	-	47,905
Insurance	(1,765)	5,320	11,368	13,095
Marketing and investor relations	20,533	31,713	44,812	75,184
Office and general	53,269	27,212	216,174	114,881
Professional fees	16,434	56,561	62,952	146,855
Salaries	186,335	185,080	617,779	545,304
Stock-based compensation	-	-	33,947	41,322
Travel	30,014	15,639	54,866	72,501
Fair value loss on warrants carried at fair value through profit and loss	1,894,423	-	2,519,542	-
Loss on disposal of assets	13,220	-	265,714	-
Loss on sale of financial assets	-	-	212,368	-
<b>Total expenses</b>	2,244,844	2,676,321	4,179,347	3,548,011
<b>Profit/(loss) before income tax</b>	(2,244,472)	(2,581,622)	(4,159,993)	(3,495,018)
Income tax expense	-	-	-	-
<b>Profit/(loss) for the period</b>	(2,244,472)	(2,581,622)	(4,159,993)	(3,495,018)
<b>Other comprehensive loss</b>				
Exchange differences on translation of foreign operations	(9,653)	(10,720)	(12,040)	(4,574)
<b>Comprehensive loss for the period</b>	(2,254,125)	(2,592,342)	(4,172,033)	(3,499,592)
Basic and diluted earnings/ (loss) per common share (cents)	9	(2.2c)	(2.9c)	(4.1c)
		(4.0c)		

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**Sarama Resources Ltd**  
*An Exploration Stage Company*  
**Condensed Consolidated Statement of Cash Flows**  
*Expressed in United States Dollars*  
*(Unaudited)*

	Nine month period ended Sept 30, 2016	Nine month period ended Sept 30, 2015 \$
<b>Note</b>		
<b>Cash flows used in operating activities</b>		
Payments to suppliers and employees	(1,353,296)	(1,050,248)
Interest received	671	3,047
Other income	11,607	
<b>Net cash used in operating activities</b>	<u>(1,341,018)</u>	<u>(1,047,201)</u>
<b>Cash flows used in investing activities</b>		
Purchase of plant and equipment	(25,852)	39,869
Payments for exploration and evaluation	(2,805,715)	(3,325,754)
Funds received from earn in agreement	2,678,407	3,174,014
Proceeds from sale of marketable securities	269,069	(500,000)
<b>Net cash used in investing activities</b>	<u>115,909</u>	<u>(611,871)</u>
<b>Net cash generated by financing activities</b>		
Common shares issued for cash	1,349,318	-
Warrants issued	493,779	-
Payment of share issue costs	(147,737)	-
<b>Net cash generated by financing activities</b>	<u>1,695,360</u>	<u>-</u>
<b>Net decrease in cash and cash equivalents</b>	470,251	(1,659,072)
Net foreign exchange differences	(10,726)	(3,903)
Cash and cash equivalents at beginning of the period	1,154,277	2,513,626
<b>Cash and cash equivalents at end of the period</b>	<u><b>1,613,802</b></u>	<u><b>850,651</b></u>

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**Sarama Resources Ltd**  
*An Exploration Stage Company*  
**Condensed Consolidated Statement of Changes in Equity**  
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	Number of common shares	Share capital (note 5)  \$	Stock - based compensation reserve (note 5(d))  \$	Foreign currency translation reserve  \$	Deficit  \$	Total  \$
<b>Balance at January 1, 2015</b>	<b>87,152,260</b>	<b>37,749,218</b>	<b>2,054,396</b>	<b>(186,380)</b>	<b>(10,946,946)</b>	<b>28,670,288</b>
Loss attributed to members of the company	-	-	-		(3,495,018)	(3,495,018)
Exchange differences on translation of foreign operations	-	-	-	(4,574)	-	(4,574)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,574)</b>	<b>(3,495,018)</b>	<b>(3,499,592)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Share issue	-	-	-	-	-	-
Stock-based compensation	-	-	41,322	-	-	41,322
<b>Balance at Sept 30, 2015</b>	<b>87,152,260</b>	<b>37,749,218</b>	<b>2,095,718</b>	<b>(190,954)</b>	<b>(14,441,964)</b>	<b>25,212,018</b>
<b>Balance at January 1, 2016</b>	<b>95,155,307</b>	<b>38,236,332</b>	<b>2,095,718</b>	<b>(187,811)</b>	<b>(16,942,091)</b>	<b>23,202,148</b>
Loss attributed to members of the company	-	-	-	-	(4,159,993)	(4,159,993)
Exchange differences on translation of foreign operations	-	-	-	(12,040)	-	(12,040)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,040)</b>	<b>(4,159,993)</b>	<b>(4,172,033)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Share issue	16,313,985	1,224,712	-	-	-	1,224,712
Stock-based compensation	-	-	33,947	-	-	33,947
<b>Balance at Sept 30, 2016</b>	<b>111,469,292</b>	<b>39,461,044</b>	<b>2,129,665</b>	<b>(199,851)</b>	<b>(21,102,084)</b>	<b>20,288,774</b>

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**Sarama Resources Ltd**  
*An Exploration Stage Company*  
**Notes to the Condensed Consolidated Financial Statements**  
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*(Unaudited)*

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## 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.

The board of directors of the Company approved these condensed consolidated interim financial statements on November 23, 2016.

### *Basis of Presentation*

These condensed consolidated interim financial statements have been prepared 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”). These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim consolidated financial statements, including International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”, and have been prepared following the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2015 except as described in Note 2. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS.

### *Going Concern*

For the period ended September 30, 2016, the consolidated entity recorded a net loss of \$4,172,033 and had a net cash outflow from operating and investing activities of \$1,341,018. As at September 30, 2016, the consolidated entity had available cash of \$1,613,802 and deficiency of current assets over current liabilities of \$1,844,890. Adjusted for the elimination of the financial liability relating to the warrants, adjusted current assets over current liabilities is \$1,263,435.

The Directors have assessed the need to acquire additional funding to continue to operate as a going concern for the foreseeable future. The Directors believe such funding will be obtained and therefore consider it appropriate to prepare the financial report on a going concern basis, which assumes the realisation of the consolidated entity’s assets and the discharge of its liabilities in the normal course of business and at the amounts stated in the condensed consolidated financial statements.

Should additional funding be unable to be obtained, the Directors believe that the Company can remain a going concern by the further reduction of various operating expenditure. However, these circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

## 2. CHANGES IN ACCOUNTING POLICIES

There have been no changes to the accounting policies to those detailed in the Consolidated Financial Statements for the year ended December 31, 2015.



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

The following pronouncements were issued by the IASB and will be mandatory for accounting periods after December 31, 2015. The pronouncements have been evaluated and are not considered advantageous for early adoption.

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2015, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The Company is assessing the impact of adopting IFRS 9 on its consolidated financial statements which is mandatory for financial years commencing on or after January 1, 2018.

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

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

**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 September 30, 2016:

	December 31, 2015	Movement 2016	September 30, 2016
<b>Burkina Faso</b>			
Tankoro (a)			
Acquisition costs	353,097	-	353,097
Exploration expenditure	18,160,848	2,181,151	20,341,999
Fee and funds received from earn-in arrangement (b)	(3,809,969)	(2,053,675)	(5,863,644)
<b>Other</b>			
Acquisition costs	588,037	-	588,037
Exploration expenditure	7,126,684	617,569	7,744,253
Exploration expenditure written off	(1,332,763)	(100,748)	(1,433,511)
Fee received from earn-in arrangement (b)	(939,560)	(624,732)	(1,564,292)
<b>Total Burkina Faso</b>	<b>20,146,374</b>	<b>19,565</b>	<b>20,165,939</b>
<b>Mali</b>			
Acquisition costs	69,106	-	69,106
Exploration expenditure	2,047,808	6,995	2,054,803
Exploration expenditure written off	(1,482,966)	-	(1,482,966)
<b>Total Mali</b>	<b>633,948</b>	<b>6,995</b>	<b>640,943</b>
<b>Total</b>	<b>20,780,322</b>	<b>26,560</b>	<b>20,806,882</b>

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*a. Tankoro Permit, Burkina Faso*

In early 2011, a subsidiary of the Company entered into an option agreement to acquire the Tankoro permit (“the Property”). The subsidiary had the right to earn up to a 100% interest with a trailing 1.5% Net Smelter Return (“NSR”) royalty, which the subsidiary had an option to acquire for \$1 million at any time after it had taken ownership of the permit. On November 2, 2012, the subsidiary exercised its option to acquire ownership of the Tankoro permit. Pursuant to the agreement with the vendor, the vendor retains the right to a 1.5% NSR for any future mineral production from the Property. The subsidiary retains the right to acquire the NSR for \$1 million at any time. On March 23, 2013, the Burkina Faso Ministry of Mines and Energy issued the exploration permit. The permit contained no additional conditions and the current term expired on December 17, 2015. In accordance with the Burkina Faso Mining Code, the subsidiary has elected to renew the permit for a further three years from this expiry date. On September 16, 2015, the Burkina Faso Ministry of Mines and Energy issued the mandatory second renewal of the Tankoro permit. The permit contained no additional conditions and is valid until December 17, 2017.

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

*b. Funds received from earn-in agreement*

In accordance with the earn-in agreement between the Company and Acacia Mining plc (the “Agreement”), the Company incurred \$2,044,475 of expenditure which was funded by Acacia Mining plc. This funding occurs each quarter based on plans agreed by the participants.

In accordance with the Company’s accounting policy, this funding is treated as a recovery of the costs of the exploration and evaluation expenditure incurred on the permits subject to the earn-in agreement. The Company has allocated the funds utilised to the carrying value of each permit on the basis of each permit’s carrying value when compared to the total carrying value of the seven permits subject to the Agreement.

**5. PLANT AND EQUIPMENT**

	<b>September 30, 2016</b>			
	<b>Plant and Equipment</b>	<b>Motor Vehicles</b>	<b>Office Equipment</b>	<b>Total</b>
	\$	\$	\$	\$
Opening net book value	200,600	89,045	126,433	416,078
Additions	3,437	-	22,415	25,852
Disposals	-	(10,511)	(2,633)	(13,144)
Depreciation	(23,988)	(1,681)	(15,914)	(41,583)
<b>Closing net book value</b>	<b>180,049</b>	<b>76,853</b>	<b>130,301</b>	<b>387,203</b>
Cost	343,025	273,177	321,693	937,895
Accumulated Depreciation	(162,976)	(196,324)	(191,392)	(550,692)
<b>Closing Net Book Value</b>	<b>180,049</b>	<b>76,853</b>	<b>130,301</b>	<b>387,203</b>

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December 31, 2015

	<b>Plant and Equipment</b>	<b>Motor Vehicles</b>	<b>Office Equipment</b>	<b>Total</b>
	\$	\$	\$	\$
Opening Net Book Value	240,772	126,983	123,042	490,797
Additions	10,072	-	31,923	41,995
Depreciation	(50,244)	(37,938)	(28,532)	(116,714)
<b>Closing Net Book Value</b>	<b>200,600</b>	<b>89,045</b>	<b>126,433</b>	<b>416,078</b>
Opening Cost	365,183	415,030	316,110	1,096,323
Accumulated Depreciation	(164,583)	(325,985)	(189,677)	(680,245)
<b>Closing Net Book Value</b>	<b>200,600</b>	<b>89,045</b>	<b>126,433</b>	<b>416,078</b>

**6. INVESTMENT IN ASSOCIATE**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
Karankasso Project Joint Venture – at cost	916,449	905,723

**7. SHARE CAPITAL**

*(a) Authorised Share Capital*

At September 30, 2016, the authorised share capital comprised an unlimited number of common shares without par value.

*(b) Issued Share Capital*

	<b>Capital Stock</b>	
	<b>Number</b>	<b>\$</b>
<b>Balance December 31, 2015</b>	95,155,307	38,236,332
Shares issued during the period ended September 30, 2016, net of costs (i)	16,313,985	1,224,712
<b>Balance September 30, 2016</b>	<b>111,469,292</b>	<b>39,461,044</b>

**Sarama Resources Ltd**  
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(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:

<b>Grant Date</b>	<b>No.</b>	<b>Exercise Price C\$</b>	<b>Expiry Date</b>
February 20, 2012 (vested)	895,000	1.00	February 17, 2017
January 31, 2013 (vested)	927,500	0.80	January 31, 2018
January 30, 2014 (vested)	1,365,000	0.28	January 30, 2017
December 14, 2014 (vested)	300,000	0.10	December 30, 2017
January 5, 2015 (vested)	2,280,000	0.10	January 5, 2018
February 26, 2016 (vested)	1,445,000	0.10	February 26, 2019

No options have been exercised in the period ended September 30, 2016 (period ended September 30, 2015: Nil).

On February 26, 2016 the Company granted 1,445,000 options to directors, executive officers, management and employees in accordance with the Company’s stock option plan. The option’s vested immediately at the date of grant. The options have a term of 3 years and are exercisable at a price of C\$0.10 per share.

(d) *Stock-Based Compensation*

For the period ended September 30, 2016, the Company granted stock options to its directors, officers, employees and consultants and estimated the stock based compensation as follows:

	<b>February , 2016</b>
Total options granted	1,445,000
Exercise price	\$0.10
Estimated fair value of compensation recognised	\$33,947
Balance to be recognised over remaining vesting period	-
Estimated fair value per option	\$0.02

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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:

	<b>February , 2016</b>
Risk-free interest rate	0.99%
Expected dividend yield	0%
Expected stock price volatility	105%
Expected option life in years	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 has issued warrants as part of its capital raising programs. The details of all warrants still on issue are detailed below.

<b>Warrant issue</b>	<b>Total Warrants Issued</b>	<b>Exercise Price</b>	<b>Estimated fair value of warrants (i)</b>	<b>Estimated fair value per warrant</b>
Shareholder Warrants issued between May 30, 2015 and July 4, 2015	10,496,183	CAD\$0.20	1,235,406	0.15c
Shareholder Warrants issued December 22, 2015	4,001,524	CAD\$0.15	677,369	0.22c
Shareholder Warrants issued June 24 and June 30, 2016	7,704,493	CAD\$0.20	1,128,320	0.19c
Finders Warrants issued June 24 and June 30, 2016	501,900	CAD\$0.15	67,230	0.17c
<b>Total</b>	<b>22,704,100</b>		<b>3,108,325</b>	<b>0.73c</b>

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

	<b>\$</b>
Fair value at December 31, 2015	<b>95,004</b>
Fair value ascribed to warrants at completion of the private placement	493,779
Fair value (gain) on warrants carried at fair value through profit and loss	2,519,542
Fair value at September 30, 2016	<b>3,108,325</b>

(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:

<b>Warrant issue</b>	<b>Risk – free interest rate</b>	<b>Expected dividend yield</b>	<b>Expected stock price volatility</b>	<b>Remaining warrant life in years</b>
Shareholder Warrants issued between May 30, 2015 and July 4, 2015	0.52%	0%	105%	9 months
Shareholder Warrants issued December 22, 2015	0.52%	0%	105%	2 years and 3 months
Shareholder Warrants issued June 30, 2016	0.52%	0%	105%	1 year and 9 months
Finders Warrants issued June 30, 2016	0.52%	0%	105%	1 year and 3 months

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**8. 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, 2015 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 September 30, 2016, 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 \$3,108,325 (December 31, 2015: \$95,004).

**9. BASIC AND DILUTED (LOSS) INCOME PER SHARE**

	<b>Nine months ending September 30, 2016 Cents per share</b>	<b>Nine months ending September 30, 2015 Cents per share</b>
Basic (loss) income per share	(4.1)	(0.5)
Diluted (loss) income per share	(4.1)	(0.5)
Net (loss) income used in calculating basic/diluted (loss) income per share	(4,159,993)	\$ (3,495,018)
<i>Weighted average number of shares on issue during the financial year used in the calculation of basic (loss) income per share</i>	101,059,502	87,152,260