
Sarama Resources Ltd.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the quarter and six months ended June 30, 2018

(Expressed in United States Dollars)

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DIRECTORS

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

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MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying condensed consolidated interim financial statements and all other financial information included in this report are the responsibility of management. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Financial statements include certain amounts based on estimates and judgments. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances to ensure that the condensed consolidated interim financial statements are presented fairly, in all material respects.

Management maintains appropriate systems of internal control, consistent with reasonable cost, to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee, which is comprised of three Directors, all of whom are non-management and independent, meets with management to review the condensed consolidated interim financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial reporting standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instruments 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements 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 financials statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

(signed) “Andrew Dinning”
Director, President and CEO
August 28, 2018

(signed) “Lui Evangelista”
CFO
August 28, 2018

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

	Note	As at June 30, 2018 \$	As at December 31, 2017 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,905,056	394,090
Security deposits		25,855	27,325
Other receivables		61,251	46,443
Prepayments		7,775	-
Available for sale financial assets	10	287,637	-
Total current assets		2,287,574	467,858
Non-current assets			
Plant and equipment	3	190,740	160,746
Investment in associate	4	1,836,171	1,836,171
Royalty		23,131	23,131
Total non-current assets		2,050,042	2,020,048
Total assets		4,337,616	2,487,906
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		458,154	283,043
Financial liabilities	5(e)	75,788	155,750
Total current liabilities		533,942	438,793
Total liabilities		533,942	438,793
EQUITY			
Share capital	5(b)	45,621,470	43,011,623
Share based payments reserve		3,313,311	2,812,948
Foreign currency translation reserve		(203,505)	(202,966)
Deficit		(44,927,602)	(43,572,492)
Total equity		3,803,674	2,049,113
Total liabilities and equity		4,337,616	2,487,906

Refer to Note 7 for details of the voluntary change in accounting policy adopted in 2017

These financial statements are authorised for issue by the Board of Directors on August 28, 2018.

They are signed on the Company's behalf by:

 (Signed) "Andrew Dinning" Andrew Dinning, Director

 (Signed) "Simon Jackson" 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 Other Comprehensive Loss
Expressed in United States Dollars

	Note	Three months ended June 30, 2018	Three months ended June 30, 2017 (Restated)	Six months ended June 30, 2018	Six months ended June 30, 2017 (Restated)
Income					
Interest income		105	30	340	412
Foreign exchange gain					26,022
Fair value gain on warrants carried at fair value through profit or loss		108,181	715,349	79,962	603,478
Other income	10	524,880	-	524,880	-
Total income		<u>633,166</u>	<u>715,379</u>	<u>605,182</u>	<u>629,912</u>
Expenses					
Accounting and audit		(263)	12,032	21,288	21,948
Corporate development		13,779	19,243	16,257	25,381
Depreciation		320	2,378	1,702	5,110
Directors fees		13,658	13,786	27,774	27,174
Exploration expenditure as incurred	2	757,417	374,726	1,052,652	617,439
Foreign exchange loss		54,661	5,351	22,941	-
Insurance		1,443	1,271	14,895	10,621
Marketing and investor relations		1,041	5,032	20,008	33,363
Office and general		40,879	44,258	87,294	82,200
Professional fees		26,333	17,264	37,373	38,661
Salaries		170,655	178,881	351,366	357,883
Stock-based compensation	6(d)	-	-	194,800	122,028
Travel		26,034	20,126	29,617	42,186
Fair value loss on financial assets carried at fair value through profit		82,189	-	82,189	-
Loss on sale of financial assets		136	-	136	-
Total expenses		<u>1,188,282</u>	<u>694,348</u>	<u>1,960,292</u>	<u>1,383,994</u>
Profit / (Loss) before income tax		<u>(555,116)</u>	<u>21,031</u>	<u>(1,355,110)</u>	<u>(754,082)</u>
Income tax benefit		-	-	-	-
Profit / (Loss) for the period from continuing operations		<u>(555,116)</u>	<u>21,031</u>	<u>(1,355,110)</u>	<u>(754,082)</u>
Exchange differences on translation of foreign operations		1,901	(3,497)	(539)	(3,667)
Total comprehensive gain / (loss) for the period		<u>(553,215)</u>	<u>17,534</u>	<u>(1,355,649)</u>	<u>(757,749)</u>
Basic and diluted loss per share		cents	cents	cents	cents
- Continuing operations		(0.3)	0.0	(0.8)	(0.6)
Weighted average number of shares					
Basic and diluted		181,710,402	128,912,295	164,992,999	125,644,982

Refer to Note 7 for details of the voluntary change in accounting policy adopted in 2017

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

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

	Note	Three months ended June 30, 2018	Three months ended June 30, 2017 (Restated)	Six months ended June 30, 2018	Six months ended June 30, 2017 (Restated)
Cash flows used in operating activities					
Payments to suppliers and employees		(415,454)	(336,556)	(649,492)	(1,033,102)
Payments for exploration and evaluation		(1,170,940)	(2,455,585)	(1,873,612)	(3,501,905)
Fee received for earn in agreement		624,999	2,080,859	1,036,184	2,884,466
Interest received		105	30	340	412
Net cash used in operating activities	9	(961,290)	(711,252)	(1,486,580)	(1,650,129)
Cash flows used in investing activities					
Purchase of plant and equipment	4	(36,751)	(2,465)	(40,243)	(11,522)
Payments for investment in associates		-	(174,265)	-	(411,732)
Proceeds on sale of exploration property		148,980	-	148,980	-
Proceeds on sale of marketable securities		5,937	-	5,937	-
Net cash used in investing activities		118,166	(176,730)	114,674	(423,254)
Cash flows from financing activities					
Common shares and warrants issued for cash		10,000	148,480	3,144,844	1,238,235
Payment of share issue costs		(2,753)	(1,894)	(244,942)	(22,323)
Net cash generated by financing activities		7,247	146,586	2,899,902	1,215,912
Net increase/(decrease) in cash and cash equivalents		(835,877)	(741,396)	1,527,996	(857,471)
Net foreign exchange differences		(8,553)	(3,539)	(17,030)	11,233
Cash and cash equivalents at beginning of the period		2,749,489	1,138,050	394,090	1,239,353
Cash and cash equivalents at end of the period		1,905,056	393,115	1,905,056	393,115

Refer to Note 7 for details of the voluntary change in accounting policy adopted in 2017

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

Sarama Resources Ltd
An Exploration Stage Company
Condensed Consolidated Statement of Changes in Equity
Expressed in United States Dollars

	Number of common shares	Share capital (note 5)	Share based payments reserve	Foreign currency translation reserve	Deficit	Total
(Restated)		\$	\$	\$	\$	\$
Balance at January 1, 2017	121,169,292	40,585,749	2,546,702	(205,789)	(41,786,637)	1,140,025
Loss attributed to shareholders of the Company	-	-	-	-	(1,785,855)	(1,785,855)
Exchange differences on translation of foreign operations	-	-	-	2,823	-	2,823
Total comprehensive loss for the year	-	-	-	2,823	(1,785,855)	(1,783,032)
Transactions with owners in their capacity as owners:						
Proceeds from share issue	19,591,110	2,781,546	-	-	-	2,781,546
Share issuance costs	-	(58,662)	-	-	-	(58,662)
Fair value of share issue ascribed to warrants and recorded as financial liability	-	(297,010)	-	-	-	(297,010)
Stock-based compensation expense (5(d))	-	-	266,246	-	-	266,246
Balance at December 31, 2017	140,760,402	43,011,623	2,812,948	(202,966)	(43,572,492)	2,049,113
Loss attributed to shareholders of the Company	-	-	-	-	(1,355,110)	(1,355,110)
Exchange differences on translation of foreign operations	-	-	-	(539)	-	(539)
Total comprehensive loss for the period	-	-	-	(539)	(1,355,110)	(1,355,649)
Transactions with owners in their capacity as owners:						
Proceeds from share issue	40,750,000	3,144,844	-	-	-	3,144,844
Share issuance costs	-	(550,505)	-	-	-	(550,505)
Share-based payments capitalized	-	-	305,563	-	-	305,563
Stock-based compensation expense (5(d))	-	-	194,800	-	-	194,800
Reduction in net smelter royalty obligations (5(b))	200,000	15,508	-	-	-	15,508
Balance at June 30, 2018	181,710,402	45,621,470	3,313,311	(203,505)	(44,927,602)	3,803,674

Refer to Note 7 for details of the voluntary change in accounting policy adopted in 2017

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

Sarama Resources Ltd
An Exploration Stage Company

Notes to the Condensed Consolidated Financial Statements
Expressed in United States Dollars unless otherwise stated

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 have approved these condensed consolidated interim financial statements on August 28, 2018.

Business Activities

The consolidated entity, consisting of Sarama Resources Ltd. and its subsidiaries is in the exploration stage and its principal business activity is the sourcing and exploration of mineral properties. As at June 30, 2018, 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.

The unaudited condensed consolidated interim financial statements for the period ended June 30, 2018, comprise the accounts of Sarama Resources Ltd and its subsidiaries and the Company’s interest in equity accounted investments

Basis of Presentation

These condensed consolidated interim 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**”). 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, 2017 except as described in Note 2.

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS.

Going Concern

For the six month period ended June 30, 2018, the consolidated entity recorded a net loss of \$1,355,649 and had a net cash outflow from operating and investing activities of \$1,371,905. As at June 30, 2018, the consolidated entity had available cash of \$1,905,056 and surplus of current assets over current liabilities of \$1,753,632.

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. SIGNIFICANT ACCOUNTING POLICIES

a) *Changes in Accounting Policies*

The Company did not adopt any new accounting standards during the period ended June 30, 2018

b) *Accounting Standards, Interpretations and Amendments to Existing Standards that are not yet effective*

The following pronouncements issued by the IASB that are not yet mandatorily applicable to the Company together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods are discussed below.

IFRS 16: Leases (applicable to annual reporting periods beginning on or after January 1, 2019) introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes introduced by the new Standard are as follows;

- recognition of right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciation of right to use assets in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non lease components and instead account for all component as a lease;

The transitional provisions of IFRS 16 allow a lessee to either retrospectively apply the Standard to comparatives or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors anticipate that the adoption of IFRS 16 will not have a significant impact on the Company's financial statements.

c) *Basis of Consolidation*

The condensed consolidated interim financial statements incorporate the assets and liabilities of the Company as at June 30, 2018 and the results of all subsidiaries for the period 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.

d) *Exploration and Evaluation Assets*

Mineral exploration and evaluation costs are expensed as incurred based upon each area of interest. Acquisition costs will normally be expensed but will be assessed on a case by case basis and if appropriate may be capitalised. These acquisition costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the tenement. Accumulated acquisition costs in relation to an abandoned tenement are written off in full against profit or loss in the year in which the decision to abandon the tenement is made. Where a decision has been made to proceed with development in respect of a particular area of interest, all future costs are recorded as a development asset.

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3. PLANT AND EQUIPMENT

	June 30, 2018			
	Plant and Equipment \$	Motor Vehicles \$	Office Equipment \$	Total \$
Opening net book value	56,346	9,379	95,021	160,746
Additions	25,526	-	14,717	40,243
Depreciation	(2,950)	(1,635)	(5,664)	(10,249)
Closing net book value	78,922	7,744	104,074	190,740
Cost	372,021	273,177	348,274	993,472
Accumulated Depreciation	(293,099)	(265,433)	(244,200)	(802,732)
Closing Net Book Value	78,922	7,744	104,074	190,740
	December 31, 2017			
	Plant and Equipment \$	Motor Vehicles \$	Office Equipment \$	Total \$
Opening net book value	172,477	76,127	131,131	379,735
Additions	3,469	-	9,951	13,420
Depreciation	(119,600)	(66,748)	(46,061)	(232,409)
Closing net book value	56,346	9,379	95,021	160,746
Cost	346,495	273,177	333,558	953,230
Accumulated Depreciation	(290,149)	(263,798)	(238,537)	(792,484)
Closing Net Book Value	56,346	9,379	95,021	160,746

4. INVESTMENT IN ASSOCIATE

	June 30, 2018 \$	December 31, 2017 \$
Karankasso Project Joint Venture– at cost	1,836,171	1,836,171

Sarama Resources Ltd
An Exploration Stage Company
Notes to the Condensed Consolidated Financial Statements
Expressed in United States Dollars unless otherwise stated

5. SHARE CAPITAL

(a) Authorised Share Capital

At June 30, 2018, the authorised share capital comprised an unlimited number of common shares without par value.

(b) Issued Share Capital

	Capital Stock	
	Number	\$
Balance, December 31, 2017	140,760,402	43,011,623
Shares issued during the period ended June 30, 2018	40,950,000	2,609,847
Balance June 30, 2018	181,710,402	45,621,470

Details of issues of common shares

On January 11, 2018, 750,000 options, exercisable at C\$0.10, were exercised for total proceeds of C\$75,000.

On March 19, 2018, the Company announced that it had raised gross proceeds of C\$4,000,000 from a private placement offering of 40,000,000 common shares at a price of C\$0.10 per common share. In connection with the private placement, the Company engaged Arlington Group Asset Management Limited and Argonaut Securities Pty Limited (together, the “Agents”) and paid commission to the Agents equal to C\$240,000, representing 6% of the gross proceeds raised under the offering and also issued an aggregate of 5,000,000 broker warrants to the Agents, exercisable until December 31, 2021 at a price of C\$0.14.

On March 29, 2018, the Company issued 200,000 common shares to Xinga Gold SARL as consideration for a reduction in the net smelter royalty from 4% to 1% in relation to the Kandiolé Sud Exploration Property in Mali

(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 ten years. Options can be exercised at any time prior to their expiry date.

Details are as follows:

Grant Date	No.	Exercise Price	Expiry Date
February 26, 2016 (fully vested)	1,075,000	0.10	February 26, 2019
January 5, 2017 (fully vested)	4,995,000	0.20	January 5, 2020
January 8, 2018 (partially vested)	7,390,000	0.11	January 8, 2021
	13,460,000		

On January 8, 2018 the Company issued 7,390,000 options to directors, officers and employees of the company, exercisable at C\$0.11 and expire 3 years after issue.

750,000 options have been exercised in the period ended June 30, 2018 (period ended June 30, 2017: 100,000).

(d) Stock-Based Compensation

For the period ended June 30, 2018, the expense incurred relating to stock-based compensation was \$194,800 (June 30, 2017: \$122,028).

For the period ended June 30, 2018, the Company granted stock options to its directors, officers, employees and consultants and estimated the stock based compensation as follows:

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	January 8, 2018
Total options granted	7,390,000
Exercise price	C\$0.11
Estimated fair value of compensation recognised	\$346,480
Balance to be recognised over remaining vesting period	\$173,240
Estimated fair value per option	\$0.05

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 8, 2018
Risk-free interest rate	1.76%
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.

Warrant issue	Total Warrants Issued	Exercise Price (C\$)	Estimated fair value of warrants (i)	Estimated fair value per warrant	Expiry Date
Shareholder Warrants issued December 22, 2015	4,001,524	\$0.15	56,977	\$0.019	December 22, 2018
Shareholder Warrants issued March 17, 2017	3,615,040	\$0.35	18,811	\$0.007	March 17, 2019
	7,616,564		75,788	\$0.010	
Acquisition Warrants issued December 12, 2016	3,000,000	\$0.19	225,861	\$0.075	December 12, 2018
Acquisition Warrants issued December 12, 2016	2,000,000	\$0.24	167,196	\$0.083	December 12, 2019
Broker Warrants issued March 16, 2018	5,000,000	\$0.14	305,563	\$0.061	December 31, 2021
	10,000,000		698,620	\$0.070	
Total	17,616,564		774,408	\$0.044	

During the six month period ended June 30, 2018, 5,000,000 broker warrants were issued at \$0.14 in connection with the Private Placement in March, 2018. In addition 7,789,493 warrants that were issued in June 2016, exercisable at a price of C\$0.20 each, expired in June 2018.

The fair value of broker and acquisition warrants are recognised within share based payments reserve, within the equity section of the financial statements, in accordance with IFRS 2.

The fair value of shareholder warrants are recognised as a financial liability in the financial statements in accordance with IAS 32.

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Notes to the Condensed Consolidated Financial Statements
Expressed in United States Dollars unless otherwise stated

(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
Shareholder Warrants issued December 22, 2015	0.52%	0%	105%	6 months
Acquisition Warrants issued December 12, 2016	0.74%	0%	105%	6 months
Acquisition Warrants issued December 12, 2016	0.74%	0%	105%	18 months
Acquisition Warrants issued March 17, 2017	0.75%	0%	105%	9 months
Acquisition Warrants issued March 19, 2018	0.73%	0%	105%	42 months

Changes in the fair value of the Shareholder Warrants recognised as financial liability are as follows:

Fair value at December 31, 2017	\$ 155,750
Fair value loss on warrants carried at fair value through profit or loss	(79,962)
Fair value at June 30, 2018	75,788

Sarama Resources Ltd
An Exploration Stage Company

Notes to the Condensed Consolidated Financial Statements
Expressed in United States Dollars unless otherwise stated

6. 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 two geographic areas, being Burkina Faso and Mali

Non-current Assets

June 30, 2018

	Burkina Faso	Mali	Liberia	Other	Total
	\$	\$	\$	\$	\$
Plant and equipment	190,186	-	-	554	190,740
Investment in Associate	1,836,171	-	-	-	1,836,171
Royalty	-	-	23,131	-	23,131
Total non – current assets	2,026,357	-	23,131	554	2,050,042

Non-current Assets

December 31, 2017

	Burkina Faso	Mali	Liberia	Other	Total
	\$	\$	\$	\$	\$
Plant and equipment	158,490	-	-	2,256	160,746
Investment in Associate	1,836,171	-	-	-	1,836,171
Royalty	-	-	23,131	-	23,131
Total non – current assets	1,994,661	-	23,131	2,256	2,020,048

Loss

Six Months ended June 30, 2018

	Burkina Faso	Mali	Liberia	Other	Total
	\$	\$	\$	\$	\$
Loss for the period from continuing operations	1,036,916	15,736	-	302,458	1,355,110
Total comprehensive loss	1,036,916	15,736	-	302,458	1,355,110

Loss

Six Months ended June 30, 2017

(Restated)

	Burkina Faso	Mali	Liberia	Other	Total
	\$	\$	\$	\$	\$
Loss for the period from continuing operations	613,332	4,106	-	136,644	754,082
Total comprehensive loss	613,332	4,106	-	136,644	754,083

7. VOLUNTARY CHANGE IN ACCOUNTING POLICY

(a) Exploration and Evaluation Accounting Policy

The financial report has been prepared on the basis of a retrospectively applied voluntary change in accounting policy, adopted in 2017, related to exploration and evaluation expenditure in respect of each area of interest. Please refer to note 11 within the annual consolidated financial statements for the year ended December 31, 2017.

The new accounting policy in respect of each area of interest is to expense exploration and evaluation expenditure to the profit or loss as incurred.

The previous accounting policy in respect of each area of interest was to capitalise exploration and evaluation expenditure incurred and carry forward as an asset when costs were expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area had not yet reached a stage which permitted a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations were continuing.

(b) Impact on Financial Statements

As a result of the change in the accounting policy for exploration and evaluation expenditure in relation to each area of interest, prior year financial statements had to be restated. In order to present comparable financial statements in the current period ended June 30, 2018, the amounts disclosed in statement of loss for the six month period ended June 30, 2017 reporting period are after the change in accounting policy for exploration and evaluation expenditure. This has resulted in disclosure of exploration expenditure in the statement of loss for the three and six month period ended June 30, 2017 of \$374,726 and \$617,439 respectively.

(c) Statement of Cash Flows

Exploration and evaluation expenditure that is expensed is included as part of cash flows from operating activities whereas exploration and evaluation expenditure that is capitalised is included as part of cash flows from investing activities. This has resulted in additional cash outflows from operating activities of \$374,726 and \$617,439 respectively for the three and six month period ended June 30, 2017. This has also resulted in a corresponding reduction of \$374,726 and \$617,439 respectively being reflected in the net cash outflows from investing activities for the same reporting periods.

Sarama Resources Ltd
An Exploration Stage Company

Notes to the Condensed Consolidated Financial Statements
Expressed in United States Dollars unless otherwise stated

8. BASIC AND DILUTED LOSS PER SHARE

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
	Cents per share	Cents per share (Restated)	Cents per share	Cents per share (Restated)
Basic and diluted loss per share				
- Continuing operations	(0.3)	0.0	(0.8)	(0.6)
	\$	\$	\$	\$
Net profit/(loss) used in calculating basic/diluted profit/(loss) per share				
- Continuing operations	(555,116)	21,031	(1,355,110)	(754,082)
Weighted average number of shares on issue during the period used in the calculation of basic profit/(loss) per share	181,710,402	128,912,295	164,992,999	125,644,982

Diluted loss per share as at June 30, 2018 is the same as basic loss per share as it is unlikely that the warrants will be converted into common shares.

9. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of loss after tax to net cash flows from operations

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
	\$	\$ (Restated)	\$	\$ (Restated)
Loss for the period	(555,117)	21,031	(1,355,110)	(754,082)
Depreciation	320	2,378	1,702	5,110
Non cash exploration expenditure	195,968	-	215,225	-
Stock-based compensation	-	-	194,800	122,028
Fair value gain on warrants	(108,181)	(715,349)	(79,962)	(603,478)
Other Income	(375,900)	-	(375,900)	-
Loss on sale of financial assets	6,073	-	6,073	-
Fair value loss on financial assets held for sale	82,189	-	82,189	-
Net exchange and translation differences (gain) / loss	54,661	19,252	22,941	(12,121)
Net cash outflows used in operating activities before change in working capital	(699,987)	(672,687)	67,068	(1,242,543)
Change in working capital	(261,304)	(38,565)	(198,538)	(407,586)
Net cash outflows used in operating activities	(961,291)	(711,252)	(1,486,580)	(1,650,129)

10. SALE OF KANDIOLE SUD EXPLORATION PROPERTY

On April 23, 2018, the Company announced that it had entered into a binding agreement for the sale of its non-core Kandiole Sud Exploration Property, West Mali to Oklo Resources Limited (“Oklo”, ASX:OKU) for consideration comprising cash and shares in Oklo for a total value of A\$1,000,000. On May 11, 2018, the Company announced the satisfaction of all conditions precedent in relation to the binding agreement. The Company has recorded the receipt of a cash payment of A\$200,000 and shares in Oklo of value A\$500,000 (calculated using a fixed Oklo share price of A\$0.379/share), representing the Tranche 1 and Tranche 2 Consideration payments respectively, as Other Income of \$524,880.

The market value of the shareholding in Oklo at June 30, 2018 is \$287,637 and has been recorded as Available for Sale Financial Asset within the Statement of Financial Position.

The Company is further entitled to a Tranche 3 Consideration payment in Oklo shares of value A\$300,000 upon Oklo, or its nominee, being registered by the Mali Ministry of Mines as the 100% owner of the Property.