

# **Sarama Resources Ltd.**

*(An Exploration Stage Company)*

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months and six months ended June 30, 2021  
(Unaudited)**

*(Expressed in United States Dollars)*

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**DIRECTORS**

Simon Jackson (Chairman)  
Andrew Dinning (CEO)  
Adrian Byass (Non-executive Director)  
Steven Zaninovich (Non-executive Director)

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**WEBSITE**

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***MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION***

The accompanying condensed interim consolidated financial statements and all other financial information included in this report are the responsibility of management. The condensed interim consolidated 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 interim consolidated 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 consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the condensed interim 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 interim consolidated 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 financial 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 27, 2021

(signed) "Lui Evangelista"  
CFO  
August 27, 2021

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

|  | Note | As at<br>June 30,<br>2021<br>\$ | As at<br>December 31,<br>2020<br>\$ |
|--|------|---------------------------------|-------------------------------------|
| <b>ASSETS</b>                            |      |                                 |                                     |
| <b>Current assets</b>                    |      |                                 |                                     |
| Cash and cash equivalents                | 3    | 614,560                         | 1,619,613                           |
| Security deposits                        |      | 26,278                          | 26,982                              |
| Other receivables                        |      | 62,499                          | 59,709                              |
| Prepayments                              |      | 174,957                         | 221,805                             |
| <b>Total current assets</b>              |      | <u>878,294</u>                  | <u>1,928,109</u>                    |
| <b>Non-current assets</b>                |      |                                 |                                     |
| Plant and equipment                      | 4    | 23,382                          | 32,671                              |
| Investment in associate                  | 5    | 1,836,171                       | 1,836,171                           |
| Royalty                                  |      | 23,131                          | 23,131                              |
| <b>Total non-current assets</b>          |      | <u>1,882,684</u>                | <u>1,891,973</u>                    |
| <b>Total assets</b>                      |      | <u>2,760,978</u>                | <u>3,820,082</u>                    |
| <b>LIABILITIES</b>                       |      |                                 |                                     |
| <b>Current liabilities</b>               |      |                                 |                                     |
| Accounts payable and accrued liabilities |      | 183,740                         | 249,638                             |
| Termination Agreement - Barrick          | 11   | 1,063,779                       | -                                   |
| <b>Total current liabilities</b>         |      | <u>1,247,519</u>                | <u>249,638</u>                      |
| <b>Non-current liabilities</b>           |      |                                 |                                     |
| Provision for employee entitlements      |      | 335,882                         | 320,855                             |
| Termination Agreement - Barrick          | 11   | -                               | 1,012,399                           |
| <b>Total non-current liabilities</b>     |      | <u>335,882</u>                  | <u>1,333,254</u>                    |
| <b>Total liabilities</b>                 |      | <u>1,583,401</u>                | <u>1,582,892</u>                    |
| <b>EQUITY</b>                            |      |                                 |                                     |
| Share capital                            | 6(b) | 51,715,494                      | 51,715,494                          |
| Share based payments reserve             |      | 4,532,735                       | 4,019,623                           |
| Deficit                                  |      | (55,070,652)                    | (53,497,927)                        |
| <b>Total equity</b>                      |      | <u>1,177,577</u>                | <u>2,237,190</u>                    |
| <b>Total liabilities and equity</b>      |      | <u>2,760,978</u>                | <u>3,820,082</u>                    |

These financial statements are authorised for issue by the Board of Directors on August 27, 2021.

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*  
**Consolidated Statement of Loss and Other Comprehensive Loss (Unaudited)**  
*Expressed in United States Dollars*

|   | <b>Three months<br/>ended June<br/>30, 2021<br/>\$</b> | <b>Three months<br/>ended June<br/>30, 2020<br/>\$</b> | <b>Six months<br/>ended June<br/>30, 2021<br/>\$</b> | <b>Six months<br/>ended June<br/>30, 2020<br/>\$</b> |
|---|--|--|--|--|
| <b>Income</b>   |  |  |  |  |
| Interest income   | 311  | 1,044  | 405  | 4,133  |
| Foreign exchange gain   | 9,970  | 71,549   | 12,503   | -  |
| Fair value gain on financial assets carried<br>at fair value through profit or loss | -  | 32,947   | -  | 55,723   |
| Other income  | -  | 44,338   | -  | 49,529   |
| <b>Total income</b>   | <b>10,281</b>  | <b>149,878</b>   | <b>12,908</b>  | <b>109,385</b>                                       |
| <b>Expenses</b>   |  |  |  |  |
| Accounting and audit  | 5,859  | 3,883  | 11,141   | 8,345  |
| Depreciation  | 585  | 584  | 1,169  | 1,111  |
| Directors' fees   | 27,164   | 8,422  | 54,465   | 21,177   |
| Exploration expenditure as incurred   | 2(d) 199,224   | 173,039  | 444,108  | 629,034  |
| Finance charges   | 25,852   | -  | 51,380   | -  |
| Foreign exchange loss   | -  | -  | -  | 66,109   |
| Insurance   | 20,538   | 2,590  | 37,428   | 7,674  |
| Marketing and investor relations  | 5,816  | 7,691  | 45,500   | 13,472   |
| Office and general  | 26,847   | 16,975   | 73,711   | 58,011   |
| Professional fees   | 10,816   | 11,490   | 11,632   | 18,041   |
| Salaries  | 167,054  | 153,201  | 341,987  | 289,268  |
| Stock-based compensation  | 6(d) -   | 52,118   | 513,112  | 360,213  |
| Travel  | -  | 49   | -  | 17,824   |
| <b>Total expenses</b>   | <b>489,755</b>   | <b>430,042</b>   | <b>1,585,633</b>                                     | <b>1,490,279</b>                                     |
| <b>Loss before income tax</b>   | <b>(479,474)</b>                                       | <b>(280,164)</b>                                       | <b>(1,572,725)</b>                                   | <b>(1,380,894)</b>                                   |
| Income tax benefit  | -  | -  | -  | -  |
| <b>Loss for the period from continuing<br/>operations</b>                           | <b>(479,474)</b>                                       | <b>(280,164)</b>                                       | <b>(1,572,725)</b>                                   | <b>(1,380,894)</b>                                   |
| Exchange differences on translation of foreign<br>operations                        | -  | 3,375  | -  | 3,375  |
| <b>Total comprehensive loss for the period</b>                                      | <b>(479,474)</b>                                       | <b>(276,789)</b>                                       | <b>(1,572,725)</b>                                   | <b>(1,377,519)</b>                                   |
| <br>  |  |  |  |  |
| Basic and diluted loss per share  | cents  | cents  | cents  | cents  |
| - Continuing operations   | (0.5)  | (0.3)  | (1.7)  | (1.7)  |
| <br>  |  |  |  |  |
| Weighted average number of shares   |  |  |  |  |
| Basic and diluted   | 90,099,894   | 83,581,854   | 90,099,894   | 83,567,591   |

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

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

|   |    | Three months<br>ended<br>June 30,<br>2021<br>\$ | Three months<br>ended<br>June 30,<br>2020<br>\$ | Six months<br>ended<br>June 30,<br>2021<br>\$ | Six months<br>ended<br>June 30,<br>2020<br>\$ |
|---|----|---|---|---|---|
| <b>Cash flows used in operating activities</b>        |    |   |   |   |   |
| Payments to suppliers and employees                   |    | (273,745)                                       | (169,703)                                       | (551,374)                                     | (412,014)                                     |
| Payments for exploration and evaluation               |    | (204,725)                                       | (199,890)                                       | (460,137)                                     | (767,326)                                     |
| Interest received                                     |    | 311   | 1,044   | -   | 4,133   |
| Other income  |    | -   | 31,757  | 405   | 31,757  |
| <b>Net cash used in operating activities</b>          | 10 | <b>(478,159)</b>                                | <b>(336,792)</b>                                | <b>(1,011,106)</b>                            | <b>(1,143,450)</b>                            |
| <b>Cash flows used in investing activities</b>        |    |   |   |   |   |
| Purchase of plant and equipment                       | 4  | -   | (1,778)   | -   | (2,592)                                       |
| Proceeds on sale of plant and equipment               | 4  | -   | 1,604   | -   | 1,604   |
| Proceeds on sale of financial assets                  |    | -   | 50,365  | -   | 61,725  |
| <b>Net cash generated in investing activities</b>     |    | <b>-</b>  | <b>50,191</b>                                   | <b>-</b>                                      | <b>60,737</b>                                 |
| <b>Cash flows from financing activities</b>           |    |   |   |   |   |
| Common shares and warrants issued for cash            |    | -   | -   | -   | -   |
| Payment of share issue costs                          |    | -   | -   | -   | -   |
| <b>Net cash generated by financing activities</b>     |    | <b>-</b>  | <b>-</b>  | <b>-</b>                                      | <b>-</b>                                      |
| <b>Net increase in cash and cash equivalents</b>      |    | <b>(478,159)</b>                                | <b>(286,601)</b>                                | <b>(1,011,106)</b>                            | <b>(1,082,713)</b>                            |
| Net foreign exchange differences                      |    | 6,316   | 97,776  | 6,053   | (73,558)                                      |
| Cash and cash equivalents at beginning of the period  |    | 1,086,403                                       | 1,260,158                                       | 1,619,613                                     | 2,227,604                                     |
| <b>Cash and cash equivalents at end of the period</b> |    | <b>614,560</b>                                  | <b>1,071,333</b>                                | <b>614,560</b>                                | <b>1,071,333</b>                              |

**Sarama Resources Ltd**  
*An Exploration Stage Company*  
**Consolidated Statement of Changes in Equity (Unaudited)**  
*Expressed in United States Dollars*

|  | Number<br>of common<br>shares | Share<br>capital<br>(note 6) | Share based<br>payments<br>reserve | Foreign<br>currency<br>translation<br>reserve | Deficit             | Total              |
|--|-------------------------------|------------------------------|------------------------------------|---|---------------------|--------------------|
|  |                               | \$                           | \$                                 | \$  | \$                  | \$                 |
| <b>Balance at January 1, 2020</b>                                | <b>250,659,987</b>            | <b>50,162,722</b>            | <b>3,659,411</b>                   | <b>(93,399)</b>                               | <b>(50,920,724)</b> | <b>2,808,010</b>   |
| Loss attributed to shareholders of<br>the Company                | -                             | -                            | -                                  | -   | (1,380,894)         | (1,380,894)        |
| Exchange differences on<br>translation of foreign operations     | -                             | -                            | -                                  | 3,375   | -                   | 3,375              |
| <b>Total comprehensive loss for the<br/>year</b>                 | -                             | -                            | -                                  | <b>3,375</b>                                  | <b>(1,380,894)</b>  | <b>(1,377,519)</b> |
| <b>Transactions with owners in<br/>their capacity as owners:</b> |                               |                              |                                    |   |                     |                    |
| Shares issued in lieu of salary                                  | 353,967                       | 16,944                       | -                                  | -   | -                   | 16,944             |
| Stock-based compensation -<br>options                            | -                             | -                            | 360,213                            | -   | -                   | 360,213            |
| <b>Balance at June 30, 2020</b>                                  | <b>251,013,954</b>            | <b>50,179,666</b>            | <b>4,019,624</b>                   | <b>(90,024)</b>                               | <b>(52,301,618)</b> | <b>1,807,648</b>   |
| <b>Balance at January 1, 2021</b>                                | <b>90,099,894</b>             | <b>51,715,494</b>            | <b>4,019,623</b>                   | -   | <b>(53,497,927)</b> | <b>2,237,190</b>   |
| Loss attributed to shareholders of<br>the Company                | -                             | -                            | -                                  | -   | (1,572,725)         | (1,572,725)        |
| <b>Total comprehensive loss for the<br/>period</b>               | -                             | -                            | -                                  |   | <b>(1,572,725)</b>  | <b>(1,572,725)</b> |
| <b>Transactions with owners in<br/>their capacity as owners:</b> |                               |                              |                                    |   |                     |                    |
| Stock-based compensation -<br>options (6(d)(i))                  | -                             | -                            | 513,112                            | -   | -                   | 513,112            |
| <b>Balance at June 30, 2021</b>                                  | <b>90,099,894</b>             | <b>51,715,494</b>            | <b>4,532,735</b>                   | -   | <b>(55,070,652)</b> | <b>1,177,577</b>   |

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



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

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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 interim consolidated financial statements have been prepared in United States Dollars.

The board of directors of the Company have approved these condensed interim consolidated financial statements on August 27, 2021.

### *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, 2021, 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 interim consolidated financial statements for the period ended June 30, 2021, comprise the accounts of Sarama Resources Ltd and its subsidiaries and the Company’s interest in equity accounted investments.

### *Basis of Presentation*

These condensed interim consolidated financial statements have been prepared under the historical cost convention except for financial assets and liabilities at fair value through profit or loss and in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and Interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”). 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, 2020 except as described in Note 2.

The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS.

### *Going Concern*

For the period ended June 30, 2021, the consolidated entity recorded a net loss of \$1,572,725 and had a net cash outflow from operating and investing activities of \$1,011,106. As at June 30, 2021, the consolidated entity had available cash of \$614,560 and deficit of current assets over current liabilities of \$369,225.

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 interim consolidated financial statements. On July 29, 2021 the Company raised gross proceeds of \$1,625,563 (C\$2,042,678) from a private placement (refer Note 12).

The occurrence of the Coronavirus (COVID-19) pandemic has created significant uncertainty for all business sectors including the Company and in particular the short-term effects and actions that may need to be implemented either by the Company or that may be imposed on the Company by new regulations or measures taken by government. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company’s financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will continue to adapt its business plans accordingly. The actual and

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**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
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threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

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) Standards and Interpretations applicable to June 30, 2021*

In the period ended June 30, 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the IASB that are relevant to the Company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the consolidated entity and, therefore, no material change is necessary to the consolidated entity's accounting policies.

### *b) Standards and Interpretations in issue not yet adopted*

The Directors have also reviewed all the new and revised Standards and Interpretations in issue not yet adopted for the period ended 30 June 2021. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the consolidated entity and, therefore, no change is necessary to the consolidated entity's accounting policies.

### *c) Basis of Consolidation*

The condensed interim consolidated financial statements incorporate the assets and liabilities of the Company as at June 30, 2021 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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**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
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**3. CASH AND CASH EQUIVALENTS**

|                          | <b>June 30, 2021</b> | <b>December 31, 2020</b> |
|--------------------------|----------------------|--------------------------|
|                          | \$                   | \$                       |
| Cash at bank and in hand | 267,056              | 822,870                  |
| Deposits at Call         | 338,504              | 796,743                  |
|                          | <b>614,560</b>       | <b>1,619,613</b>         |

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made on a rolling overnight basis and earn interest at the respective short-term deposit rates.

The Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 8.

**4. PLANT AND EQUIPMENT**

|                               | <b>June 30, 2021</b>           |                           |                             |               |
|-------------------------------|--------------------------------|---------------------------|-----------------------------|---------------|
|                               | <b>Plant and<br/>Equipment</b> | <b>Motor<br/>Vehicles</b> | <b>Office<br/>Equipment</b> | <b>Total</b>  |
|                               | \$                             | \$                        | \$                          | \$            |
| Opening net book value        | 18,206                         | -                         | 14,465                      | 32,671        |
| Additions                     | -                              | -                         | -                           | -             |
| Depreciation                  | (3,290)                        | -                         | (5,999)                     | (9,289)       |
| <b>Closing net book value</b> | <b>14,916</b>                  | <b>-</b>                  | <b>8,466</b>                | <b>23,382</b> |
| Cost                          | 241,783                        | 158,306                   | 284,334                     | 684,423       |
| Accumulated Depreciation      | (226,867)                      | (158,306)                 | (275,868)                   | (661,041)     |
| <b>Closing net book value</b> | <b>14,916</b>                  | <b>-</b>                  | <b>8,466</b>                | <b>23,382</b> |
|                               | <b>December 31, 2020</b>       |                           |                             |               |
|                               | <b>Plant and<br/>Equipment</b> | <b>Motor<br/>Vehicles</b> | <b>Office<br/>Equipment</b> | <b>Total</b>  |
|                               | \$                             | \$                        | \$                          | \$            |
| Opening net book value        | 24,933                         | -                         | 26,635                      | 51,568        |
| Additions                     | -                              | -                         | 2,874                       | 2,874         |
| Disposals - Cost              | -                              | -                         | (1,673)                     | (1,673)       |
| Disposals - Accum Depn        | -                              | -                         | 1,043                       | 1,043         |
| Depreciation                  | (6,727)                        | -                         | (14,414)                    | (21,141)      |
| <b>Closing net book value</b> | <b>18,206</b>                  | <b>-</b>                  | <b>14,465</b>               | <b>32,671</b> |
| Cost                          | 241,783                        | 158,306                   | 284,334                     | 684,423       |
| Accumulated Depreciation      | (223,577)                      | (158,306)                 | (269,869)                   | (651,752)     |
| <b>Closing net book value</b> | <b>18,206</b>                  | <b>-</b>                  | <b>14,465</b>               | <b>32,671</b> |

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**5. INVESTMENT IN ASSOCIATE**

The Company has determined that it has significant influence over Joint Venture BFI Inc., a joint venture focussed on the exploration and evaluation of the Karankasso Project (“the Project”) in Burkina Faso, as it holds 18.13% as at June 30, 2021 (December 31, 2020: 18.55%) of the voting power as well as holding 2 out of the 4 Board positions. The Company’s interest is accounted for using the equity method in the consolidated financial statements. Summarised financial information of the joint venture, based on IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are set out below. The Company has not made any additional contributions during the six month period ended June 30, 2021.

Summarised statement of financial position of Joint Venture BFI Inc.:

|  | <b>June 30, 2021</b> | <b>December 31, 2020</b> |
|--|----------------------|--------------------------|
|  | \$                   | \$                       |
| Current assets                                   | 647,470              | 326,271                  |
| Non-current assets                               | 17,061,982           | 16,494,342               |
| Current liabilities                              | (496,245)            | -                        |
| Non-current liabilities                          | (4,955,398)          | (4,572,978)              |
| Equity   | <b>12,257,809</b>    | <b>12,247,635</b>        |
| Reconciliation to carrying amount of investment  |                      |                          |
| Company’s share of equity                        | 2,222,341            | 2,271,936                |
| Plus additional contributions                    | 1,365,851            | 1,365,851                |
|  | 3,588,192            | 3,637,787                |
| Notional premium on acquisition by JV            | (1,752,021)          | (1,801,616)              |
| <b>Karankasso Project Joint Venture– at cost</b> | <b>1,836,171</b>     | <b>1,836,171</b>         |

**6. SHARE CAPITAL**

*(a) Authorised Share Capital*

At June 30, 2021, the authorised share capital comprised an unlimited number of common shares without par value.

*(b) Issued Share Capital*

| <b>Details</b>                              | <b>2021</b>             | <b>2021</b>       | <b>2020</b>             | <b>2020</b>       |
|---|-------------------------|-------------------|-------------------------|-------------------|
|   | <b>Number of shares</b> | <b>\$</b>         | <b>Number of shares</b> | <b>\$</b>         |
| Balance at January 1                        | 90,099,894              | 51,715,494        | 250,659,987             | 50,162,722        |
| Issue of shares in lieu of salary           | -                       | -                 | 353,967                 | 16,944            |
| Balance June 30 (net of cost)               | <b>90,099,894</b>       | <b>51,715,494</b> | <b>251,013,954</b>      | <b>50,179,666</b> |
| Issue of shares in lieu of salary           |                         |                   | 432,879                 | 35,641            |
| Issue of shares under private placement     |                         |                   | 18,852,936              | 1,547,800         |
| Share issuance costs                        |                         |                   | -                       | (47,613)          |
| Share consolidation (3 old for 1 new share) |                         |                   | (180,199,875)           | -                 |
| Balance December 31(net of cost)            |                         |                   | <b>90,099,894</b>       | <b>51,715,494</b> |

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

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(i) *Share Consolidation:*

On October 7, 2020, Sarama implemented a consolidation of its issued and outstanding Shares on a 3 old for 1 new share basis (the “Share Consolidation”). No fractional shares were issued as a result of the Share Consolidation. The Consolidation was approved by the Board pursuant to the new Articles of the Company approved by shareholders at the Company’s annual and special general meeting held on September 17, 2020.

(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:

| <b>Grant Date</b>               | <b>Pre Share Consolidation</b> |                       | <b>Post Share Consolidation</b> |                       | <b>Expiry Date</b> |
|---------------------------------|--------------------------------|-----------------------|---------------------------------|-----------------------|--------------------|
|                                 | <b>No.</b>                     | <b>Exercise Price</b> | <b>No.</b>                      | <b>Exercise Price</b> |                    |
| January 18, 2019 (fully vested) | 4,325,000                      | C\$0.06               | 1,441,665                       | C\$0.18               | January 18, 2022   |
| January 16, 2020 (fully vested) | 10,800,000                     | C\$0.07               | 3,599,999                       | C\$0.21               | January 16, 2023   |
| June 24, 2020 (fully vested)    | 1,500,000                      | C\$0.08               | 500,000                         | C\$0.24               | June 23, 2023      |
| January 15, 2021 (fully vested) |                                |                       | 3,158,336                       | C\$0.35               | January 15, 2024   |
|                                 |                                |                       | <b>8,700,000</b>                |                       |                    |

On January 14, 2021, the Company issued 3,158,336 options to directors, officers and employees of the company, exercisable at C\$0.35 and expire 3 years after issue.

No options were exercised in the period ended June 30, 2021 (period ended June 30, 2020: Nil).

2,746,666 options expired in the six month period ended June 30, 2021 at a weighted average exercise price and life of C\$0.32 and 2.5 years respectively (six month period ended June 30, 2020: 1,665,000 options expired at a weighted average exercise price and life of C\$0.60 and 3 years respectively).

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(d) *Stock-Based Compensation*

(i) *Options*

For the six month period ended June 30, 2021, the expense incurred relating to stock-based compensation on the grant of options was \$513,112 (June 30, 2020: \$360,213).

For the six month period ended June 30, 2021, the Company granted stock options to its directors, officers, employees and consultants and estimated the stock-based compensation as follows:

|  | <b>January 14,<br/>2021</b> |
|--|-----------------------------|
| Total options granted                                  | 3,158,336                   |
| Exercise price   | C\$0.35                     |
| Estimated fair value of compensation recognised        | \$513,112                   |
| Balance to be recognised over remaining vesting period | \$nil                       |
| Estimated fair value per option                        | \$0.21                      |

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>January 14,<br/>2021</b> |
|---|-----------------------------|
| Share price of underlying security on date of grant | C\$0.31                     |
| Risk-free interest rate                             | 0.21%                       |
| Expected dividend yield                             | 0%                          |
| Expected stock price volatility                     | 113.5%                      |
| 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.

(ii) *Warrants*

The Company has issued warrants as part of its capital raising and exploration programs. The details of all warrants still on issue are detailed below.

**Pre Share Consolidation**

| <b>Warrant issue</b>                        | <b>Total<br/>Warrants<br/>Issued</b> | <b>Exercise<br/>Price<br/>(C\$)</b> | <b>Estimated<br/>fair value of<br/>warrants<br/>(C\$)</b> | <b>Estimated<br/>fair value<br/>per warrant<br/>(C\$)</b> | <b>Expiry Date</b>   |
|---|--------------------------------------|-------------------------------------|---|---|----------------------|
| Broker Warrants issued<br>March 16, 2018    | 1,500,000                            | \$0.14                              | 91,669  | \$0.061   | December 31,<br>2021 |
| Acquisition Warrants issued<br>May 23, 2019 | 2,500,000                            | \$0.10                              | 137,162   | \$0.074   | May 23, 2024         |
| Acquisition Warrants issued<br>May 23, 2019 | 2,500,000                            | \$0.20                              | 120,957   | \$0.065   | May 23, 2024         |
| <b>Total</b>                                | <b>6,500,000</b>                     |                                     | <b>349,788</b>  | <b>\$0.067</b>  |                      |

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**Post Share Consolidation**

| <b>Warrant issue</b>                     | <b>Total Warrants Issued</b> | <b>Exercise Price (C\$)</b> | <b>Estimated fair value of warrants (C\$)</b> | <b>Estimated fair value per warrant (C\$)</b> | <b>Expiry Date</b> |
|--|------------------------------|-----------------------------|---|---|--------------------|
| Broker Warrants issued March 16, 2018    | 500,000                      | \$0.42                      | 91,669  | \$0.183                                       | December 31, 2021  |
| Acquisition Warrants issued May 23, 2019 | 833,333                      | \$0.30                      | 137,162                                       | \$0.222                                       | May 23, 2024       |
| Acquisition Warrants issued May 23, 2019 | 833,333                      | \$0.60                      | 120,957                                       | \$0.175                                       | May 23, 2024       |
| <b>Total</b>                             | <b>2,166,666</b>             |                             | <b>349,788</b>                                | <b>\$0.201</b>                                |                    |

5,000,000 warrants were issued to Acacia on May 23, 2019 as part consideration of definitive agreement executed by the Company and Acacia on May 14, 2019, that provides for the termination of the 2014 earn-in agreement between the two companies in respect of the South Houndé Project. 2,500,000 warrants were issued at an exercise price of C\$0.10 and 2,500,000 warrants were issued at an exercise price of C\$0.20, expiring on May 23, 2024. Post Share Consolidation the warrants have been converted to 833,333 warrants at exercise price of C\$0.30 and 833,333 warrants at exercise price of C\$0.60, respectively.

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 the warrants recognised in the financial statements has been estimated using the Black-Scholes Option-Pricing Model at inception with the following assumptions:

| <b>Warrant issue</b>                     | <b>Price of Security on issue date</b> | <b>Risk – free interest rate</b> | <b>Expected dividend yield</b> | <b>Expected stock price volatility</b> | <b>Remaining warrant life</b> |
|--|--|----------------------------------|--------------------------------|--|-------------------------------|
| Broker Warrants issued March 16, 2018    | C\$0.10                                | 0.73%                            | 0%                             | 105%                                   | 6 months                      |
| Acquisition Warrants issued May 23, 2019 | C\$0.10                                | 1.55%                            | 0%                             | 105%                                   | 35 months                     |

No warrants expired in the period ended June 30, 2021 (period ended June 30, 2020: Nil)

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.

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#### **7. FINANCIAL INSTRUMENTS**

The Company is exposed to financial risks through the normal course of its business operations. The key risks impacting the Company's financial instruments are considered to be foreign currency risk, interest rate risk, liquidity risk, credit risk and equity price risk. The Company's financial instruments exposed to these risks are cash and short-term deposits, receivables, trade payables and investments in foreign operations.

The executive management team monitors the financial instrument risk to which it is exposed and assesses the impact and likelihood of those risks on an ongoing basis. Where material, these risks are reported and reviewed by the board of directors.

##### **(a) Fair Values**

The fair value of the Company's financial instruments approximates their carrying values due to the immediate or short-term maturity of these financial instruments. The Company's financial assets and liabilities are measured and recognised at fair value as at June 30, 2021 according to the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities (level 1),
- (ii) 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
- (iii) 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).

##### **(b) Financial Instrument Risk Exposure**

###### ***Foreign currency risk***

The Company has international operations in West Africa, namely Burkina Faso, Mali and Liberia and an administrative office in Western Australia. The multiple locations expose the Company to foreign exchange risk as detailed below:

- Canadian dollar (CAD) – primary source of Company funding and its corporate and regulatory costs.
- Australian dollar (AUD) – administrative costs in Western Australia.
- Euro and Communauté Financière Africaine Francs (CFA) – funding of African operations.

Management's policy is to actively manage foreign exchange risk. Management mitigates foreign exchange risk by continuously monitoring forecasts and spot prices of foreign currency and holding foreign currency based on expected future expenditure commitments.



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**8. 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 one geographic area, being Burkina Faso.

**As at and for the six month period ending June 30, 2021**

|  | Burkina Faso            | Other                   | Total                   |
|--|-------------------------|-------------------------|-------------------------|
|  | \$                      | \$                      | \$                      |
| <b>Segment current assets</b>                  | 80,556                  | 797,738                 | 878,294                 |
| <b>Segment non-current assets</b>              |                         |                         |                         |
| Plant and equipment                            | 21,281                  | 2,101                   | 23,382                  |
| Investment in Associate                        | 1,836,171               | -                       | 1,836,171               |
| Royalty  | -                       | 23,131                  | 23,131                  |
|  | <u>1,857,452</u>        | <u>25,232</u>           | <u>1,882,684</u>        |
| <b>Segment total assets</b>                    | <b><u>1,938,008</u></b> | <b><u>822,970</u></b>   | <b><u>2,760,978</u></b> |
| <b>Segment liabilities</b>                     | <b><u>25,950</u></b>    | <b><u>1,557,451</u></b> | <b><u>1,583,401</u></b> |
| <b>Segment Loss</b>                            |                         |                         |                         |
| Loss for the period from continuing operations | <b><u>444,108</u></b>   | <b><u>1,128,617</u></b> | <b><u>1,572,725</u></b> |

**As at and for the six month period ending June 30, 2020**

|  | Burkina Faso            | Other                   | Total                   |
|--|-------------------------|-------------------------|-------------------------|
|  | \$                      | \$                      | \$                      |
| <b>Segment current assets</b>                  | 42,832                  | 1,190,960               | 1,233,792               |
| <b>Segment non-current assets</b>              |                         |                         |                         |
| Plant and equipment                            | 38,478                  | 4,439                   | 42,917                  |
| Investment in Associate                        | 1,836,171               | -                       | 1,836,171               |
| Royalty  | -                       | 23,131                  | 23,131                  |
|  | <u>1,874,649</u>        | <u>27,570</u>           | <u>1,902,219</u>        |
| <b>Segment total assets</b>                    | <b><u>1,917,481</u></b> | <b><u>1,218,530</u></b> | <b><u>3,136,011</u></b> |
| <b>Segment liabilities</b>                     | <b><u>19,585</u></b>    | <b><u>1,308,778</u></b> | <b><u>1,328,363</u></b> |
| <b>Segment Loss</b>                            |                         |                         |                         |
| Loss for the period from continuing operations | <b><u>629,034</u></b>   | <b><u>751,860</u></b>   | <b><u>1,380,894</u></b> |

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**9. BASIC AND DILUTED LOSS PER SHARE**

|  | <b>Three months<br/>ended June<br/>30, 2021</b> | <b>Three months<br/>ended June<br/>30, 2020</b> | <b>Six months<br/>ended June<br/>30, 2021</b> | <b>Six months<br/>ended June<br/>30, 2020</b> |
|--|---|---|---|---|
|  | <b>Cents per<br/>share</b>                      | <b>Cents per<br/>share</b>                      | <b>Cents per<br/>share</b>                    | <b>Cents per<br/>share</b>                    |
| Basic and diluted loss per share   |   |   |   |   |
| - Continuing operations  | 0.5   | 0.3   | 1.7   | 1.7   |
|  | \$  | \$  | \$  | \$  |
| Net loss used in calculating basic/diluted loss per share  |   |   |   |   |
| - Continuing operations  | 479,474   | 280,164   | 1,572,725                                     | 1,380,894                                     |
| Weighted average number of shares on issue during the period used in the calculation of basic loss per share | 90,099,894                                      | 83,581,854                                      | 90,099,894                                    | 83,567,591                                    |

Diluted loss per share at June 30, 2021 is the same as basic loss per share as it is unlikely that the warrants will be converted into common shares.

Prior year comparison has been restated due to the Share Consolidation in October 2020 (refer Note 6(b)).

**10. NOTES TO THE CASH FLOW STATEMENT**

Reconciliation of loss after tax to net cash flows from operations

|   | <b>Three<br/>months<br/>ended June<br/>30, 2021</b> | <b>Three<br/>months<br/>ended June<br/>30, 2020</b> | <b>Six months<br/>ended June<br/>30, 2021</b> | <b>Six months<br/>ended June<br/>30, 2020</b> |
|---|---|---|---|---|
|   | \$  | \$  | \$  | \$  |
| Loss for the period   | (479,464)   | (280,164)   | (1,572,725)                                   | (1,380,894)                                   |
| Depreciation  | 4,635   | 5,353   | 9,289   | 10,614  |
| Fair value gain on financial assets held for sale                               | -   | (32,947)  | -   | (55,723)                                      |
| Finance charges   | 25,852  | -   | 51,380  | -   |
| Gain on sale of financial assets  | -   | (11,607)  | -   | (16,798)                                      |
| Gain on sale of plant and equipment   | -   | (974)   | -   | (974)   |
| Stock-based compensation  | -   | 52,117  | 513,112                                       | 360,212                                       |
| Non cash exploration expenditure  | -   | 3,375   | -   | 3,375   |
| Issue of shares in lieu of salary   | -   | 16,944  | -   | 16,944  |
| Movements in provisions, salary benefits  | 4,413   | 33,389  | 15,027  | 4,936   |
| Net exchange and translation differences – loss/(gain)                          | (10,914)  | (73,261)  | (14,158)                                      | 69,918  |
| Net cash outflows used in operating activities before change in working capital | (455,488)   | (287,775)   | (998,075)                                     | (988,390)                                     |
| Change in working capital   | (22,671)  | (49,017)  | (13,031)                                      | (155,060)                                     |
| Net cash outflows used in operating activities                                  | (478,159)   | (336,792)   | (1,011,106)                                   | (1,143,450)                                   |

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#### 11. CONTINGENT LIABILITY: DEFINITIVE AGREEMENT WITH BARRICK TO REGAIN 100% OWNERSHIP OF SOUTH HOUNDE PROJECT

On May 14, 2019, the Company announced that it had executed a definitive agreement (the “Agreement”) with Acacia Mining plc (“Acacia”) that provides for the termination of the 2014 earn-in agreement between the two companies in respect of the South Houndé Project (or the “Project”) in south-western Burkina Faso. The Agreement provides for Sarama to resume operatorship and regain a 100% interest in the Project.

On November 18, 2019, the Company announced that it had renegotiated certain terms of the Agreement resulting in an immediate return to 100% ownership of the Project and the reduction of the trailing reimbursement payment. The Company agreed to waive certain closing conditions and, in return, Barrick TZ Ltd (“Barrick”), formerly Acacia, agreed to amend and reduce the total trailing reimbursement from \$2 million to \$1 million, payable 12 months from the date of the amendment.

On June 24, 2020, the Company announced that Barrick agreed to defer the \$1 million payable on November 18, 2020 to January 15, 2022 inclusive of interest at an annual rate of 10%. The total payable will be up to \$1.12 million.

Other key commercial terms to this Agreement that are considered a contingent liability are that Sarama will grant Barrick the right to commercial production-based payments consisting of:

- o US\$1,000,000 on production of 10,000 oz gold;
- o US\$1,000,000 on production of a further 5,000 oz gold;
- o royalty payments, capped at gold production of 1Moz Au, according to sliding-scale royalty rates of:
  - 1.0% for gold price  $\leq$ US\$1300/oz;
  - 1.5% for gold prices  $>$ US\$1300/oz and  $\leq$ US\$1500/oz; and
  - 2.0% for gold prices  $>$ US\$1500/oz;

As the Company cannot be certain whether it will enter into commercial production, the obligation to pay commercial production-based payments to Barrick is not recorded in the financial statements and is presented as a contingent liability.

#### 12. SUBSEQUENT EVENTS

On July 29, 2021 the Company announced that it had raised C\$2,042,678 and issued 9,727,037 units (the “Units”) at a price of C\$0.21 per Unit. Each Unit is comprised of one common share of the Company and one-half of one common share purchase warrant (each full warrant, a “Warrant”), with each Warrant being exercisable to purchase one common share of the Company at an exercise price of C\$0.28 until July 28, 2024. The Company issued an aggregate of 9,727,037 common shares and 4,863,517 Warrants. The net proceeds from the private placement are intended to be used for working capital and for general corporate purposes.