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# **Sarama Resources Ltd.**

*(An Exploration Stage Company)*

## **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**As at and for the quarter and nine months ended September 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)

**LEGAL ADVISORS**

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**WEBSITE**

[www.saramaresources.com](http://www.saramaresources.com)

***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  
November 27, 2018

(signed) "Lui Evangelista"  
CFO  
November 27, 2018

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

|  | Note | As at<br>September 30,<br>2018<br>\$ | As at<br>December 31,<br>2017<br>\$ |
|--|------|--------------------------------------|-------------------------------------|
| <b>ASSETS</b>                            |      |                                      |                                     |
| <b>Current assets</b>                    |      |                                      |                                     |
| Cash and cash equivalents                |      | 1,073,056                            | 394,090                             |
| Security deposits                        |      | 25,288                               | 27,325                              |
| Other receivables                        |      | 62,368                               | 46,443                              |
| Prepayments                              |      | 7,775                                | -                                   |
| Available for sale financial assets      | 10   | 253,196                              | -                                   |
| <b>Total current assets</b>              |      | 1,421,683                            | 467,858                             |
| <b>Non-current assets</b>                |      |                                      |                                     |
| Plant and equipment                      | 3    | 188,872                              | 160,746                             |
| Investment in associate                  | 4    | 1,836,171                            | 1,836,171                           |
| Royalty                                  |      | 23,131                               | 23,131                              |
| <b>Total non-current assets</b>          |      | 2,048,174                            | 2,020,048                           |
| <b>Total assets</b>                      |      | 3,469,857                            | 2,487,906                           |
| <b>LIABILITIES</b>                       |      |                                      |                                     |
| <b>Current liabilities</b>               |      |                                      |                                     |
| Accounts payable and accrued liabilities |      | 385,898                              | 283,043                             |
| Financial liabilities                    | 5(e) | 12,629                               | 155,750                             |
| <b>Total current liabilities</b>         |      | 398,527                              | 438,793                             |
| <b>Total liabilities</b>                 |      | 398,527                              | 438,793                             |
| <b>EQUITY</b>                            |      |                                      |                                     |
| Share capital                            | 5(b) | 45,621,470                           | 43,011,623                          |
| Share based payments reserve             |      | 3,497,289                            | 2,812,948                           |
| Foreign currency translation reserve     |      | (204,118)                            | (202,966)                           |
| Deficit                                  |      | (45,843,311)                         | (43,572,492)                        |
| <b>Total equity</b>                      |      | 3,071,330                            | 2,049,113                           |
| <b>Total liabilities and equity</b>      |      | 3,469,857                            | 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 27 November, 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<br>ended<br>September 30,<br>2018 | Three months<br>ended<br>September 30,<br>2017<br>(Restated) | Nine months<br>ended<br>September 30,<br>2018 | Nine months<br>ended<br>September 30,<br>2017<br>(Restated) |
|---|------|--|--|---|---|
| <b>Income</b>   |      |  |  |   |   |
| Interest income   |      | 36   | 311  | 376   | 723   |
| Foreign exchange gain   |      | 24,286   | 20,827   | 1,345   | 46,848  |
| Fair value gain on warrants carried<br>at fair value through profit or loss |      | 63,159   | 133,079  | 143,121                                       | 736,556   |
| Other income  | 10   | -  | -  | 524,880                                       | -   |
| <b>Total income</b>   |      | <b>87,481</b>                                  | <b>154,217</b>   | <b>669,722</b>                                | <b>784,127</b>  |
| <b>Expenses</b>   |      |  |  |   |   |
| Accounting and audit  |      | -  | 331  | 21,288  | 22,279  |
| Corporate development   |      | 55,308   | 8,048  | 71,565  | 33,429  |
| Depreciation  |      | 348  | 2,127  | 2,050   | 7,237   |
| Directors fees  |      | 13,505   | 15,439   | 41,279  | 42,613  |
| Exploration expenditure as incurred   | 2    | 454,024  | 182,729  | 1,506,676                                     | 800,168   |
| Insurance   |      | 1,257  | -  | 16,152  | 10,621  |
| Marketing and investor relations  |      | 5,224  | 19,453   | 25,232  | 52,816  |
| Office and general  |      | 38,939   | 55,168   | 126,233                                       | 137,366   |
| Professional fees   |      | 25,801   | 19,852   | 63,174  | 58,513  |
| Salaries  |      | 169,495  | 173,700  | 520,861                                       | 531,583   |
| Stock-based compensation  | 6(d) | 183,978  | 144,218  | 378,778                                       | 266,246   |
| Travel  |      | 20,870   | 32,572   | 50,487  | 74,758  |
| Fair value loss on financial assets<br>carried at fair value through profit |      | -  | -  | 116,630                                       | -   |
| Loss on sale of financial assets  |      | 34,441   | -  | 136   | -   |
| <b>Total expenses</b>   |      | <b>1,003,190</b>                               | <b>653,637</b>   | <b>2,940,541</b>                              | <b>2,037,629</b>  |
| <b>Profit / (Loss) before income tax</b>                                    |      | <b>(915,709)</b>                               | <b>(499,420)</b>   | <b>(2,270,819)</b>                            | <b>(1,253,502)</b>  |
| Income tax benefit  |      | -  | -  | -   | -   |
| <b>Profit / (Loss) for the period from<br/>continuing operations</b>        |      | <b>(915,709)</b>                               | <b>(499,420)</b>   | <b>(2,270,819)</b>                            | <b>(1,253,502)</b>  |
| Exchange differences on translation of<br>foreign operations                |      | (613)  | (1,160)  | (1,152)                                       | (4,827)   |
| <b>Total comprehensive gain / (loss) for<br/>the period</b>                 |      | <b>(916,322)</b>                               | <b>(500,580)</b>   | <b>(2,271,971)</b>                            | <b>(1,258,329)</b>  |
| Basic and diluted loss per share  |      | cents  | cents  | cents   | cents   |
| - Continuing operations   |      | (0.5)  | (0.4)  | (1.3)   | (1.0)   |
| Weighted average number of shares<br>Basic and diluted                      |      | 181,710,402                                    | 136,285,523  | 170,626,702                                   | 129,230,806   |

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<br>ended<br>September 30,<br>2018 | Three months<br>ended<br>September 30,<br>2017<br><br>(Restated) | Nine months<br>ended<br>September 30,<br>2018 | Nine months<br>ended<br>September 30,<br>2017<br><br>(Restated) |
|---|------|--|--|---|---|
| <b>Cash flows used in operating activities</b>              |      |  |  |   |   |
| Payments to suppliers and employees                         |      | (280,911)                                      | (301,910)  | (930,403)                                     | (1,335,012)   |
| Payments for exploration and evaluation                     |      | (640,493)                                      | (1,042,926)  | (2,514,106)                                   | (4,544,831)   |
| Fee received for earn in agreement                          |      | 85,863   | 860,197  | 1,122,047                                     | 3,744,663   |
| Interest received   |      | 36   | 311  | 376   | 723   |
| <b>Net cash used in operating activities</b>                | 9    | <b>(835,505)</b>                               | <b>(484,328)</b>   | <b>(2,322,086)</b>                            | <b>(2,134,457)</b>  |
| <b>Cash flows used in investing activities</b>              |      |  |  |   |   |
| Purchase of plant and equipment                             | 4    | (2,291)  | 3,105  | (42,534)                                      | (8,417)   |
| Payments for investment in associates                       |      | -  | (185,324)  | -   | (597,056)   |
| Proceeds on sale of Permit Rights                           |      | -  | -  | 148,980                                       | -   |
| Proceeds on sale of Marketable securities                   |      | -  | -  | 5,937   | -   |
| <b>Net cash used in investing activities</b>                |      | <b>(2,291)</b>                                 | <b>(182,219)</b>   | <b>112,383</b>                                | <b>(605,473)</b>  |
| <b>Cash flows from financing activities</b>                 |      |  |  |   |   |
| Common shares and warrants issued for cash                  |      | -  | 1,473,039  | 3,144,844                                     | 2,711,274   |
| Payment of share issue costs                                |      | -  | (36,339)   | (244,942)                                     | (58,662)  |
| <b>Net cash generated by financing activities</b>           |      | <b>-</b>                                       | <b>1,436,700</b>   | <b>2,899,902</b>                              | <b>2,652,612</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | <b>(837,796)</b>                               | <b>770,153</b>   | <b>690,199</b>                                | <b>(87,318)</b>   |
| Net foreign exchange differences                            |      | 5,797  | 12,881   | (11,233)                                      | 24,114  |
| Cash and cash equivalents at beginning of the period        |      | 1,905,057                                      | 393,115  | 394,090                                       | 1,239,353   |
| <b>Cash and cash equivalents at end of the period</b>       |      | <b>1,073,056</b>                               | <b>1,176,149</b>   | <b>1,073,056</b>                              | <b>1,176,149</b>  |

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<br>of common<br>shares | Share<br>capital<br>(note 5) | Share based<br>payments<br>reserve | Foreign<br>currency<br>translation<br>reserve | Deficit             | Total              |
|--|-------------------------------|------------------------------|------------------------------------|---|---------------------|--------------------|
| (Restated)   |                               | \$                           | \$                                 | \$  | \$                  | \$                 |
| <b>Balance at January 1, 2017</b>  | <b>121,169,292</b>            | <b>40,585,749</b>            | <b>2,546,702</b>                   | <b>(205,789)</b>                              | <b>(41,786,637)</b> | <b>1,140,025</b>   |
| Loss attributed to shareholders of the Company                                     | -                             | -                            | -                                  | -   | (1,785,855)         | (1,785,855)        |
| Exchange differences on translation of foreign operations                          | -                             | -                            | -                                  | 2,823   | -                   | 2,823              |
| <b>Total comprehensive loss for the year</b>                                       | <b>-</b>                      | <b>-</b>                     | <b>-</b>                           | <b>2,823</b>                                  | <b>(1,785,855)</b>  | <b>(1,783,032)</b> |
| <b>Transactions with owners in their capacity as owners:</b>                       |                               |                              |                                    |   |                     |                    |
| 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            |
| <b>Balance at December 31, 2017</b>  | <b>140,760,402</b>            | <b>43,011,623</b>            | <b>2,812,948</b>                   | <b>(202,966)</b>                              | <b>(43,572,492)</b> | <b>2,049,113</b>   |
| Loss attributed to shareholders of the Company                                     | -                             | -                            | -                                  | -   | (2,270,819)         | (2,270,819)        |
| Exchange differences on translation of foreign operations                          | -                             | -                            | -                                  | (1,152)                                       | -                   | (1,152)            |
| <b>Total comprehensive loss for the period</b>                                     | <b>-</b>                      | <b>-</b>                     | <b>-</b>                           | <b>(1,152)</b>                                | <b>(2,270,819)</b>  | <b>(2,271,971)</b> |
| <b>Transactions with owners in their capacity as owners:</b>                       |                               |                              |                                    |   |                     |                    |
| 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))  | -                             | -                            | 378,778                            | -   | -                   | 378,778            |
| Reduction in net smelter royalty obligations (5(b))                                | 200,000                       | 15,508                       | -                                  | -   | -                   | 15,508             |
| <b>Balance at September 30, 2018</b>   | <b>181,710,402</b>            | <b>45,621,470</b>            | <b>3,497,289</b>                   | <b>(204,118)</b>                              | <b>(45,843,311)</b> | <b>3,071,330</b>   |

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*

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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 have approved these condensed consolidated interim financial statements on November 27, 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 September 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 September 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 nine month period ended September 30, 2018, the consolidated entity recorded a net loss of \$2,270,819 and had a net cash outflow from operating and investing activities of \$2,209,703. As at September 30, 2018, the consolidated entity had available cash of \$1,073,056 and surplus of current assets over current liabilities of \$1,023,156.

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 September 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 September 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.

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

**3. PLANT AND EQUIPMENT**

|                               | <b>September 30, 2018</b>             |                                  |                                |                     |
|-------------------------------|---------------------------------------|----------------------------------|--------------------------------|---------------------|
|                               | <b>Plant and<br/>Equipment<br/>\$</b> | <b>Motor<br/>Vehicles<br/>\$</b> | <b>Office Equipment<br/>\$</b> | <b>Total<br/>\$</b> |
| Opening net book value        | 56,346                                | 9,379                            | 95,021                         | 160,746             |
| Additions                     | 25,526                                | -                                | 17,008                         | 42,534              |
| Depreciation                  | (3,827)                               | (2,425)                          | (8,156)                        | (14,408)            |
| <b>Closing net book value</b> | <b>78,045</b>                         | <b>6,954</b>                     | <b>103,873</b>                 | <b>188,872</b>      |
| Cost                          | 372,021                               | 273,177                          | 350,566                        | 995,764             |
| Accumulated Depreciation      | (293,976)                             | (266,223)                        | (246,693)                      | (806,892)           |
| <b>Closing Net Book Value</b> | <b>78,045</b>                         | <b>6,954</b>                     | <b>103,873</b>                 | <b>188,872</b>      |
|                               | <b>December 31, 2017</b>              |                                  |                                |                     |
|                               | <b>Plant and<br/>Equipment<br/>\$</b> | <b>Motor<br/>Vehicles<br/>\$</b> | <b>Office Equipment<br/>\$</b> | <b>Total<br/>\$</b> |
| 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)           |
| <b>Closing net book value</b> | <b>56,346</b>                         | <b>9,379</b>                     | <b>95,021</b>                  | <b>160,746</b>      |
| Cost                          | 346,495                               | 273,177                          | 333,558                        | 953,230             |
| Accumulated Depreciation      | (290,149)                             | (263,798)                        | (238,537)                      | (792,484)           |
| <b>Closing Net Book Value</b> | <b>56,346</b>                         | <b>9,379</b>                     | <b>95,021</b>                  | <b>160,746</b>      |

**4. INVESTMENT IN ASSOCIATE**

|   | <b>September 30, 2018<br/>\$</b> | <b>December 31, 2017<br/>\$</b> |
|---|----------------------------------|---------------------------------|
| 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*

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**5. SHARE CAPITAL**

*(a) Authorised Share Capital*

At September 30, 2018, 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, 2017</b>                        | 140,760,402          | 43,011,623        |
| Shares issued during the period ended September 30, 2018 | 40,950,000           | 2,609,847         |
| <b>Balance September 30, 2018</b>                        | <b>181,710,402</b>   | <b>45,621,470</b> |

*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:

| <b>Grant Date</b>                | <b>No.</b>        | <b>Exercise Price</b> | <b>Expiry Date</b> |
|----------------------------------|-------------------|-----------------------|--------------------|
| 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 (fully vested)   | 7,390,000         | 0.11                  | January 8, 2021    |
|                                  | <b>13,460,000</b> |                       |                    |

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 September 30, 2018 (period ended September 30, 2017: 100,000).

*(d) Stock-Based Compensation*

For the period ended September 30, 2018, the expense incurred relating to stock-based compensation was \$378,778 (September 30, 2017: \$266,246).

For the period ended September 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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|  | <b>January 8,<br/>2018</b> |
|--|----------------------------|
| 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:

|                                 | <b>January 8,<br/>2018</b> |
|---------------------------------|----------------------------|
| 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<br>Warrants<br>Issued | Exercise<br>Price<br>(C\$) | Estimated<br>fair value of<br>warrants (i) | Estimated<br>fair value<br>per<br>warrant | Expiry<br>Date       |
|--|-----------------------------|----------------------------|--|---|----------------------|
| Shareholder Warrants issued<br>December 22, 2015 | 4,001,524                   | \$0.15                     | 9,967                                      | \$0.003                                   | December<br>22, 2018 |
| Shareholder Warrants issued<br>March 17, 2017    | 3,615,040                   | \$0.35                     | 2,662                                      | \$0.001                                   | March 17,<br>2019    |
|  | <b>7,616,564</b>            |                            | <b>12,629</b>                              | <b>\$0.002</b>                            |                      |
| Acquisition Warrants issued<br>December 12, 2016 | 3,000,000                   | \$0.19                     | 225,861                                    | \$0.075                                   | December<br>12, 2018 |
| Acquisition Warrants issued<br>December 12, 2016 | 2,000,000                   | \$0.24                     | 167,196                                    | \$0.083                                   | December<br>12, 2019 |
| Broker Warrants issued March 16,<br>2018         | 5,000,000                   | \$0.14                     | 305,563                                    | \$0.061                                   | December<br>31, 2021 |
|  | <b>10,000,000</b>           |                            | <b>698,620</b>                             | <b>\$0.070</b>                            |                      |
| <b>Total</b>                                     | <b>17,616,564</b>           |                            | <b>711,249</b>                             | <b>\$0.040</b>                            |                      |

During the nine month period ended September 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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(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<br/>interest rate</b> | <b>Expected<br/>dividend<br/>yield</b> | <b>Expected<br/>stock<br/>price<br/>volatility</b> | <b>Remaining<br/>warrant life</b> |
|---|--------------------------------------|--|--|-----------------------------------|
| Shareholder Warrants issued December 22, 2015 | 0.52%                                | 0%                                     | 105%   | 3 months                          |
| Acquisition Warrants issued December 12, 2016 | 0.74%                                | 0%                                     | 105%   | 3 months                          |
| Acquisition Warrants issued December 12, 2016 | 0.74%                                | 0%                                     | 105%   | 15 months                         |
| Shareholder Warrants issued March 17, 2017    | 0.75%                                | 0%                                     | 105%   | 6 months                          |
| Broker Warrants issued March 16, 2018         | 0.73%                                | 0%                                     | 105%   | 39 months                         |

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

|  |               |
|--|---------------|
| Fair value at December 31, 2017  | \$<br>155,750 |
| Fair value gain on warrants carried at fair value through profit or loss | (143,121)     |
| Fair value at September 30, 2018   | 12,629        |

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**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

| <b>Non-current Assets</b>         | <b>September 30, 2018</b> |             |               |                  |
|-----------------------------------|---------------------------|-------------|---------------|------------------|
|                                   | <b>Burkina Faso</b>       | <b>Mali</b> | <b>Other</b>  | <b>Total</b>     |
|                                   | \$                        | \$          | \$            | \$               |
| Plant and equipment               | 186,993                   | -           | 1,879         | 188,872          |
| Investment in Associate           | 1,836,171                 | -           | -             | 1,836,171        |
| Royalty                           | -                         | -           | 23,131        | 23,131           |
| <b>Total non – current assets</b> | <b>2,023,164</b>          | <b>-</b>    | <b>25,010</b> | <b>2,048,174</b> |

| <b>Non-current Assets</b>         | <b>September 30, 2017</b> |             |               |                  |
|-----------------------------------|---------------------------|-------------|---------------|------------------|
|                                   | <b>Burkina Faso</b>       | <b>Mali</b> | <b>Other</b>  | <b>Total</b>     |
|                                   | \$                        | \$          | \$            | \$               |
| Plant and equipment               | 258,750                   | -           | 4,196         | 262,946          |
| Investment in Associate           | 1,836,171                 | -           | -             | 1,836,171        |
| Royalty                           | -                         | -           | 23,131        | 23,131           |
| <b>Total non – current assets</b> | <b>2,094,921</b>          | <b>-</b>    | <b>27,327</b> | <b>2,121,798</b> |

| <b>Loss</b>                                    | <b>Nine Months ended September 30, 2018</b> |               |                |                  |
|--|---|---------------|----------------|------------------|
|  | <b>Burkina Faso</b>                         | <b>Mali</b>   | <b>Other</b>   | <b>Total</b>     |
|  | \$  | \$            | \$             | \$               |
| Loss for the period from continuing operations | 1,490,941                                   | 18,841        | 761,037        | 2,270,819        |
| <b>Total comprehensive loss</b>                | <b>1,490,941</b>                            | <b>18,841</b> | <b>761,037</b> | <b>2,270,819</b> |

| <b>Loss</b>                                    | <b>Nine Months ended September 30, 2017</b> |              |                |                  |
|--|---|--------------|----------------|------------------|
|  | <b>Burkina Faso</b>                         | <b>Mali</b>  | <b>Other</b>   | <b>Total</b>     |
|  | \$  | \$           | \$             | \$               |
| Loss for the period from continuing operations | 792,955                                     | 7,213        | 453,334        | 1,253,502        |
| <b>Total comprehensive loss</b>                | <b>792,955</b>                              | <b>7,213</b> | <b>453,334</b> | <b>1,253,502</b> |

## **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 September 30, 2018, the amounts disclosed in statement of loss for the nine month period ended September 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 nine month period ended September 30, 2017 of \$182,729 and \$800,168 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 \$182,729 and \$800,168 respectively for the three and nine month period ended September 30, 2017. This has also resulted in a corresponding reduction of \$182,729 and \$800,168 respectively being reflected in the net cash outflows from investing activities for the same reporting periods.



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

|  | <b>Three months<br/>ended<br/>September 30,<br/>2018</b> | <b>Three months<br/>ended<br/>September 30,<br/>2017</b> | <b>Nine months<br/>ended<br/>September 30,<br/>2018</b> | <b>Nine months<br/>ended<br/>September 30,<br/>2017</b> |
|--|--|--|---|---|
|  | <b>Cents per<br/>share</b>                               | <b>Cents per<br/>share<br/>(Restated)</b>                | <b>Cents per<br/>share</b>                              | <b>Cents per<br/>share<br/>(Restated)</b>               |
| Basic and diluted loss per share   |  |  |   |   |
| - Continuing operations  | (0.5)  | (0.4)  | (1.3)   | (1.0)   |
|  | \$   | \$   | \$  | \$  |
| Net profit/(loss) used in<br>calculating basic/diluted<br>profit/(loss) per share  |  |  |   |   |
| - Continuing operations  | (915,709)  | (499,420)  | (2,270,819)   | (1,253,502)   |
| Weighted average number of<br>shares on issue during the period<br>used in the calculation of basic<br>profit/(loss) per share | 181,710,402  | 136,285,523  | 170,626,702   | 129,230,806   |

Diluted loss per share as at September 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

|   | <b>Three months<br/>ended<br/>September 30,<br/>2018</b> | <b>Three months<br/>ended<br/>September 30,<br/>2017</b> | <b>Nine months<br/>ended<br/>September 30,<br/>2018</b> | <b>Nine months<br/>ended<br/>September 30,<br/>2017</b> |
|---|--|--|---|---|
|   | <b>\$</b>  | <b>\$<br/>(Restated)</b>                                 | <b>\$</b>   | <b>\$<br/>(Restated)</b>                                |
| Loss for the period   | (915,709)  | (499,420)  | (2,270,819)   | (1,253,502)   |
| Depreciation  | 348  | 2,127  | 2,050   | 7,237   |
| Non cash exploration expenditure  | (100,607)  | 2,890  | 114,618   | 17,969  |
| Stock-based compensation  | 183,978  | 144,218  | 378,778   | 266,246   |
| Fair value gain on warrants   | (63,159)   | (133,079)  | (143,121)   | (736,557)   |
| Other Income  | -  | -  | (375,900)   | -   |
| Loss on sale of financial assets  | -  | -  | 6,073   | -   |
| Fair value loss on financial assets<br>held for sale                                  | 34,441   | -  | 116,630   | -   |
| Net exchange and translation<br>differences (gain) / loss                             | (24,286)   | (20,827)   | (1,345)   | (46,848)  |
| Net cash outflows used in operating<br>activities before change in working<br>capital | (884,994)  | (504,091)  | (2,173,036)   | (1,745,455)   |
| Change in working capital   | 49,489   | 19,673   | (149,050)   | (389,002)   |
| Net cash outflows used in operating<br>activities                                     | <b>(835,505)</b>   | <b>(484,328)</b>   | <b>(2,322,086)</b>                                      | <b>(2,134,457)</b>                                      |

**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 September 30, 2018 is \$253,196 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.