SARAMA RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the quarter and half year ended June 30, 2016

(August 26, 2016)

(All amounts expressed in United States dollars, unless otherwise indicated)

INTRODUCTION

The following management's discussion and analysis ("**MD&A**") is intended to supplement the consolidated financial statements of Sarama Resources Ltd. (the "**Company**" or "**Sarama**") and its subsidiaries for the quarter and half-year ended June 30, 2016.

The consolidated financial statements for the quarter ended quarter and half-year ended June 30, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in United States dollars, unless otherwise stated.

This MD&A is current as at August 26, 2016.

Additional information relating to the Company is available on SEDAR at www.sedar.com under the Company's profile.

FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, information with respect to the Company's planned exploration and development activities, costs and timing of future exploration, results of future exploration and drilling, timing and receipt of approvals, consents and permits under applicable legislation, and the adequacy of financial resources. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance are not statements of historical fact and may be forward-looking information. Wherever possible, words such as "plans", "expects" or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify forward-looking information.

Forward-looking information is subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied by the forward-looking information, including, without limitation: our limited operating history, negative operating cash flow and need for additional financing; the early stage of our exploration and the fact that we have no mineral reserves; global economic conditions; our dependence on key management and qualified personnel; exploration, development and mining risks; title and property risks; risks related to the presence of artisanal miners; risks associated with operations in Africa; risks associated with maintaining a skilled workforce; risks relating to government regulations; environmental laws, regulations and risks; uncertainty regarding our ability to acquire necessary permits and comply with their terms; infrastructure risks; uninsurable risks; risks regarding our ability to enforce our legal rights; market factors and volatility of commodity prices; fluctuations in foreign exchange rates; competition; acquisition risks; conflicts of interest; price volatility in publicly traded securities; dilution; dividends and "passive foreign investment company" tax consequences to U.S. shareholders.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

Assumptions have been made regarding, among other things: our ability to carry on exploration and development activities, our ability to meet our obligations under our property agreements, the timing and results of drilling programs, the discovery of mineral resources and mineral reserves on our mineral properties, the timely receipt of required approvals, the price of gold, the costs of operating and exploration expenditures, our ability to operate in a safe, efficient and effective manner and our ability to obtain financing as and when required and on reasonable terms. You are cautioned that the foregoing list is not exhaustive of all factors and assumptions that may have been used.

Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. We cannot assure you that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. We do not undertake to update any forward-looking information, except in accordance with applicable securities laws.

OVERVIEW

Sarama is a Canadian-incorporated mineral exploration company whose principal business objective is to explore for and develop gold deposits in West Africa.

The Company was incorporated on April 8, 2010 under the Business Corporations Act (British Columbia). The Company's primary office is located in Perth, Western Australia. The Company's common shares are listed on the TSX Venture Exchange ("**TSXV**"). The Company's symbol is "SWA".

The Company has built substantial early-stage exploration landholdings in prospective and underexplored areas in West Africa. As at June 30, 2016, the Company had exploration landholdings in Burkina Faso (2,624km^2) and Mali (110 km^2).

The Company's strategy is to focus on Burkina Faso which capitalises on its in-country presence and infrastructure.

The Company takes a systematic approach to exploration and typically moves through the following steps to achieve its exploration outcomes:

1. regional targeting for permit selection;
2. first-pass broad-based soil sampling;
3. follow up aircore ("**AC**") and rotary air blast ("**RAB**") drilling;
4. reverse circulation ("**RC**") and diamond drilling on identified targets;
5. further specialised geological studies and surveys in specific areas;

Concurrent with the above steps, the Company may undertake geophysics utilising induced polarisation ("**IP**"), magnetic, gravity and radiometric methods.

SECOND QUARTER HIGHLIGHTS

- *Completion of the Q1 2016 drill program at the South Houndé Project in Burkina Faso*. The Company announced that it has completed the first phase of its US$3.5M (CAD$4.7M) 2016 exploration campaign on its South Houndé Project which has an inferred resources of 2.1Moz[1,2]. The work formed part of a multi-faceted exploration program funded by Acacia Mining plc ("Acacia") and included drilling, geological studies and geochemical and geophysical surveys.
- *Confirmation of high-grade oblique mineralisation at the South Houndé Project in Burkina Faso*. The Company announced positive results from the first phase of its 2016 AC, RC and diamond drilling campaign at the South Houndé Project in south-western Burkina Faso. The work forms part of an ongoing, multi-faceted exploration program which includes drilling, geological studies and geochemical and geophysical surveys.
- *Acquisition of the Bondi Gold Deposit in Burkina Faso from Orezone Gold*. The Company announced that it has signed a binding Heads of Agreement with Orezone Gold Corporation ("Orezone") for the Company to acquire the Bondi gold deposit ("Bondi"). Bondi is 100% owned by Orezone and is located immediately adjacent to Sarama's South Houndé Project in south-western Burkina Faso. The deposit has a historical estimate of Mineral Resources of 282,000oz[3,4] Au (measured and indicated) and 150,000oz[3,4] Au (inferred) and is within trucking distance of Sarama's South Houndé Project. Completion of the acquisition will bolster

Sarama's position in the region, consolidating ownership of advanced assets in the highly prospective Houndé Belt and providing significant optionality for the development of a mine in the region.

- *Recommencement of drilling at the 31% owned Karankasso Project in Burkina Faso.* The Company advised that Savary Gold Corp. ("Savary"), the operator of the Karankasso Project Joint Venture between Sarama (31% interest) and Savary (69% interest), had announced the recommencement of drilling on the Karankasso Project in south-western Burkina Faso. The jointly-approved 6,500m drill program is designed to follow-up on four of the six zones that contain mineral resources and to test new targets with the aim of expanding the current mineral resource and discovering new zones. Savary management noted that initial diamond core drilling was to test both existing and new gold-mineralized systems which in their view demonstrate the best potential for both size and grade. Approximately 25% of the program was scheduled as diamond core holes with the remainder being RC. The drill program was planned to take approximately six weeks to complete.
- *Extension of Warrants.* The Company announced that it extended the expiry date of 10,496,183 warrants that were issued in connection with its mid-2014 non-brokered private placement by one year. All other terms and conditions of the warrants will stay the same. The following warrants are affected by the extension:
    - 2,330,100 warrants expiring on May 30, 2016;
    - 7,054,750 warrants expiring on June 12, 2016;
    - 211,333 warrants expiring on June 18, 2016; and
    - 900,000 warrants expiring on July 4, 2016.

  The TSX Venture exchange has approved the extension of the warrants.
- *Private Placement to Fund Exploration Program in Burkina Faso.* The Company conducted a private placement (the "Private Placement") that raised total aggregate gross proceeds of C$2,351,848 through a total issuance of 15,678,985 units. Each unit comprised of one common share of the Company and one-half of one common share purchase warrant (each full warrant, a "Warrant"). Each Warrant is exercisable for two years from the date of issue at a price of C$0.20 each.

CORPORATE

As at June 30, 2016, the Company had cash and cash equivalents of $2,975,144 and no debt.

On May 12, 2016, 2,475,000 employee options that were exercisable at C$0.75 expired.

In June, as a result of the Private Placement, the Company issued 15,678,985 common shares and 7,839,493 warrants to institutional and accredited investors. The warrants are exercisable for two years from the date of issue at a price of C$0.20 each. In addition, 501,900 warrants exercisable for 18 months from the date of issue were issued under finder's fee arrangements.

EXPLORATION ACTIVITIES

Burkina Faso

As at June 30, 2016 the Company had interests, directly and indirectly, in properties covering an area of 2,624 km^2.

The primary exploration focus of the Company has been its South Houndé Project which is situated in south-west Burkina Faso near the borders of Ghana and Côte d'Ivoire, 260 km south-west of the national capital of Ouagadougou. The South Houndé Project is located in the Houndé Belt, which hosts Semafo Inc.'s Mana Gold Mine, Roxgold Inc.'s Yaramoko Gold Mine and Endeavour Mining Corp's Houndé Gold Project.

On November 27, 2014, the Company signed an earn-in agreement with Acacia, whereby Acacia will have the option to earn up to 70% interest in the Project by satisfying certain conditions over a 4-year earn-in period and then the right to acquire an additional 5% interest, for an aggregate 75% interest in the Project, upon declaration of a 1.6 million ounce mineral reserve.

The Company also has a 31% interest in the Karankasso Project Joint Venture (the "**JV**") with Savary Gold Corp. ("**Savary**"). Savary is the operator of the JV.

Tankoro Property

Location and Size

The Tankoro property is part of the Company's South Houndé Project and covers an area of 187.5 km^2. Upon renewal of the permit for its mandatory second renewal, the Company was required to relinquish 25% of the area of the permit.

Permit Status

In early 2011, the Company entered into an option agreement to acquire the Tankoro permit. The Company had the right to earn up to a 100% interest with a trailing 1.5% Net Smelter Return ("**NSR**") royalty, which the Company had an option to acquire for $1 million at any time after the Company has taken ownership of the permit.

On November 2, 2012, the Company exercised its option to acquire ownership of the Tankoro permit. Pursuant to the agreement with the vendor, the vendor retains the right to a 1.5% NSR royalty for any future mineral production from the Property. The Company retains the right to acquire the NSR royalty for $1 million at any time.

On March 23, 2013, the Burkina Faso Ministry of Mines and Energy issued the exploration permit to a Sarama wholly-owned subsidiary. The permit contained no additional conditions and was valid until December 17, 2015. In accordance with the Burkina Faso Mining Code, the Company has elected to renew the permit for a further three years from this expiry date.

On September 16, 2015, the Burkina Faso Ministry of Mines and Energy issued the mandatory second renewal of the Tankoro permit to a Sarama wholly-owned subsidiary. The permit contained no additional conditions and is valid until December 17, 2017.

Exploration Update

Historical
2013

In the first quarter of 2013, the Company completed 4,138 metres of diamond drilling, 12,726 metres of RC drilling and 25,161 metres of AC drilling. The diamond and RC drilling was focused on extensions to mineralisation at the MM Prospect, both along strike and in the footwall and hangingwall lodes. The drilling programs extended the strike length of mineralisation at the MM Prospect by 25% to 1.9 kilometres as well as confirming continuity to a depth of 260 vertical metres. Of note was the definition of a thick (approximately 15m true width), high-grade zone in the south of the mineralised system, which remains open at depth and to the south.

The AC drilling was undertaken to test anomalies identified during the ground-based IP program which occurred in the fourth quarter of 2012 in the Tankoro structural corridor. This drilling confirmed the presence of mineralisation at several prospects which will be further tested with RC drilling.

Following the success of the initial test grid, an expanded IP survey, covering a strike length of 9 kilometres was undertaken to the north and south. The results of this survey have been used successfully to generate drill targets and improve the understanding of the geological setting.

In the second quarter of 2013, the Company completed 1,732 metres of diamond drilling, 6,651 metres of RC drilling and 13,603 metres of AC drilling. The Company focused its exploration work on the three main prospects on its Tankoro property, namely, MM, MC and Phantom.

At the MM and Phantom Prospects, infill drilling was undertaken to support and assist with resource definition and preparation of the maiden mineral resource. The Company also commenced drilling an IP target east of the MM Prospect, which following positive drill results, was named the MC Prospect. The MC Prospect was not detected in original soil sampling programs as the area had no gold anomalism due to transported material.

Following the IP survey undertaken in November 2012 and scout AC drilling in the area, numerous targets have been generated and are being systematically followed up with drill programs, the results of which are encouraging.

During the third quarter of 2013 no field activities were undertaken on the Tankoro Property. The Company normally has an annual shutdown for the period from July to September due to the onset of the rainy season in West Africa, which makes field activities less productive.

The focus of the Company during the third quarter was the interpretation of data by the technical team resulting in the Company publishing its maiden Mineral Resource on the Tankoro Property. The Inferred Mineral Resource of 29.13 Mt @ 1.6 g/t Au for 1.5 Moz (@ 0.8 g/t Au cut-off) was published on September 16, 2013 following two years of exploration work. The Mineral Resource extends over a strike length of 5.5 km and spans the MM, MC and Phantom Prospects.

During the fourth quarter of 2013, mapping and a limited amount of trenching activity was undertaken at Tankoro. No drilling activity was undertaken at Tankoro during the fourth quarter.

<u>2014</u>

During the first quarter of 2014, mapping and trenching activity continued at Tankoro. Consistent with the fourth quarter of the previous year, no drilling was undertaken.

During the second quarter of 2014, the Company undertook a 9,000m AC program targeting oxide material with the aim of increasing the oxide resource to a size that may potentially support a heap leach operation on its South Houndé properties. The target area was situated immediately south west of the MM Prospect and extended over 3km in strike length. The drill program defined a significant strike extension to the MM Prospect and further drilling is anticipated to add materially to the existing oxide mineral resource. Multiple oxide targets remain in footwall zones and zones along trend to the north east of the MM Prospect.

There was also a small amount of trenching and fieldwork undertaken in the quarter.

Preliminary metallurgical testwork on mineralisation sourced from the Mineral Resource continued to show excellent oxidation and leaching characteristics and gold recoveries using the BIOX® oxidation route were excellent. Cost estimation work for a BIOX® flow sheet indicates that the cost impact is modest and manageable particularly in context of the head grades being considered in mine concept work.

Preliminary heap leach testwork was conducted on oxide mineralisation during the second quarter. The testwork consisted of percolation and agglomeration scouting phases and minor variability testing. A full column leach was conducted on an oxide composite sample dosed at 10kg/t cement. Results were very encouraging, with a gold extraction of 87.2% achieved for the full column test with low-moderate NaCN consumption of 0.2-0.3kg/t. The testwork indicates that heap leaching is a viable processing alternative for the oxide component of the mineral resource.

The Company undertook limited exploration activity at Tankoro during the second quarter. The Company announced the results of its AC drilling program at the Obi prospect in the second quarter (Refer news release dated September 9, 2014) with the result being that the Company delineated another 1.8km of gold mineralisation, bringing the total strike length of semi-continuous mineralisation to 7.3km.

During the third quarter of 2014, in respect of the Tankoro property, the Company progressed a comprehensive metallurgical testwork program to examine the amenability and viability of a sulphide-based flotation concentrate to oxidation by both the BIOX® and Albion Process™ technologies. These competing and commercially used technologies are integrated into a conventional gold plant and act as a pre-conditioning stage for a flotation concentrate prior to gold recovery by standard cyanidation.

The testwork has increased confidence in the economic potential of the South Houndé Project and assists early scoping work being used to guide exploration toward achieving a mineral resource base capable of supporting project development.

While the Company fully acknowledges it has yet to define sufficient mineral resources to contemplate the commencement feasibility studies, the confirmation of two alternative processing flowsheets for the fresh mineralisation by the testwork at this early stage is encouraging.

With the finalisation of the Acacia earn-in agreement in November 2014, activity for the month was primarily centred on establishment work to support the commencement of exploration in December. During the fourth quarter the Company completed 3,400m of AC drilling, 940m of RC drilling and 625m of diamond drilling.

<u>2015</u>

During the first quarter, the Company successfully completed an initial program of 7,170m, 2,600m and 4,600m of AC, RC and diamond drilling, respectively, to test:

- high-grade shoot controls at the MM and MC Prospects;
- strike extensions to the current mineral resource, including the Phantom Prospect; and
- new targets to support growth of the Project's oxide mineral resource and to identify additional deeper drilling targets.

The Company also undertook IP geophysical surveys, which included both a gradient-array survey to extend previous IP survey to the north-north-east of the existing mineral resource and a pole-dipole survey to image deeper, sulphide-rich targets at the MM and MC Prospects.

A 9,200 line-km airborne magnetic-radiometric survey was also completed over the entire 760 km^2 Project.

During the second quarter, the Company successfully completed a significant regional and extensional AC drilling program and also a smaller RC and Diamond drilling program to test:

- high-grade shoot extensions and deeper geophysical anomalies at the MM South and MC Prospects;
- strike extensions to the current mineral resource, including the Phantom and Obi Prospects;
- new targets to support growth of the Project's oxide mineral resource and to infill broadly spaced oxide drill fences ; and
- geochemical and geophysical targets within the wider Project area.

Exploration field activities ceased in July with onset the rainy season in Burkina Faso. A significant number of assays were processed through the laboratories in July and early August. Assay results were reviewed and have formed part of the planning of the next phases of drilling.

During the fourth quarter of 2015, field activities for the quarter commenced in November. During November and December, the Company completed 3,700 metres of RC Drilling and 1,300 metres of AC drilling on the Tankoro property.

<u>2016</u>

During the first quarter of 2016, the Company completed 1,300 metres of AC drilling, 2,600 metres of RC drilling and 450 metres of diamond drilling at the Tankoro property.

During the quarter, the Company announced an 87% increase in the oxide component of inferred mineral resources to 0.5 Moz[5] of contained gold and a 40% increase[6] in total inferred mineral resources to 2.1 Moz[1] of contained gold at the Project in south-west Burkina Faso. The revised mineral resource estimate represents a substantial increase in modelled gold mineralisation which is interpreted to extend for a strike length of over 10km within the Tankoro Structural Corridor, further demonstrating the scale of the mineralised system.

Current quarter

During the second quarter of 2016, the Company completed 850 metres of AC drilling, 2,800 metres of RC drilling and 1500 metres of diamond drilling at the Tankoro property.

Other Burkina Faso Properties

During the quarter, the Company completed 3,900 metres of AC drilling at its Werinkera property.

No exploration activity was undertaken on its other Burkina Faso properties.

Outlook

The Company has completed 1,286 metres of RC drilling and 3,800 metres of diamond drilling at its Tankoro property during July. The rainy season commenced in late July and exploration activities have been suspended until October. This occurs each year.

Qualified Person's Statement

Scientific or technical information in this MD&A that relates to the Company's exploration activities in Burkina Faso is based on information compiled or approved by Guy Scherrer. Mr Scherrer is a full time employee of Sarama Resources Ltd and is a member in good standing of the Ordre des Géologues du Québec and has sufficient experience in the commodity, the style of mineralisation under consideration and activities which he is undertaking as a Qualified Person under National Instrument 43-101. Mr Scherrer consents to the inclusion in this MD&A of the information, in the form and context in which it appears.

Scientific or technical information in this MD&A that relates to the preparation of the Company's mineral resource estimate is based on information compiled or approved by Adrian Shepherd. Mr. Shepherd is an employee of Cube Consulting Pty Ltd and is considered to be independent of Sarama Resources Ltd. Mr. Shepherd is a chartered professional member in good standing of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the commodity, style of mineralisation under consideration and activity which he is undertaking to qualify as a Qualified Person under National Instrument 43-101. Mr. Shepherd consents to the inclusion in this MD&A of the information, in the form and context in which it appears.

Scientific or technical information in this news MD&A that relates metallurgical testwork and mineral processing is based on information compiled or approved by Fred Kock. Fred Kock is an employee of Orway Mineral Consultants Pty Ltd and is considered to be independent of Sarama Resources Ltd. Fred Kock is a Fellow in good standing of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the commodity, style of mineralisation under consideration and activity which he is undertaking to qualify as a Qualified Person under National Instrument 43-101. Fred Kock consents to the inclusion in this MD&A of the information, in the form and context in which it appears.

Mali

The Company has interests in one property covering 110 km^2 in Mali.

Mali has been through a period of political and military instability since the coup d'état of April 2012. The Company continues to monitor the situation in Mali.

In 2015, the Company relinquished its office lease in Bamako. All exploration activity and administration is now managed from its Burkina Faso office.

During the second quarter of 2016, the Company did not conduct any activities in Mali.

Outlook

The Company is not planning any activities for the third quarter of 2016.

Liberia

During first quarter of 2016, the Company wound up its activities in Liberia. On March 31, 2016, the Company relinquished its office lease in Monrovia and all in-country operations ceased. The last employee relating to the Liberian operations ceased employment with the Company on June 30, 2016.

SELECTED ANNUAL INFORMATION

The following table includes selected financial information for the past three years.

	Quarter ended June 30, 2016	Quarter ended June 30, 2015	Quarter ended June 30, 2014
Interest income	8	140	3,552
Net income (loss)	(1,342,668)	(465,603)	(1,102,855)
Basic and diluted gain (loss) per common share (cents)	(1.2c)	(0.5c)	(1.5c)
Total assets	25,121,413	29,141,198	30,631,144
Total liabilities	2,572,585	1,336,838	1,429,705

RESULTS OF OPERATIONS

	Quarter ended June 30, 2016 $	Quarter ended June 30, 2015 $	Six months ended June 30, 2016 $	Six months ended June 30, 2015 $
Income				
Interest income	8	140	299	2,702
Other income	11,607	-	11,607	-
Expenses				
Accounting and audit	(21,840)	(36,645)	(33,790)	(61,355)
Salaries	(239,024)	(183,470)	(431,444)	(360,224)
Directors fees	(18,495)	(36,850)	(39,299)	(73,935)
Professional fees	(44,955)	(83,966)	(46,518)	(90,294)
Office and general	(59,223)	(50,486)	(162,906)	(87,669)
Travel	(3,744)	(1,309)	(24,852)	(1,309)
Marketing and investor relations	(21,496)	(54,666)	(24,279)	(99,024)
Corporate development	(5,502)	(10,331)	(31,341)	-
Insurance	(6,641)	(7,775)	(13,133)	(7,775)
Total general and administration	(420,920)	(465,498)	(807,562)	(781,585)
Stock-based compensation	-	-	(33,947)	(41,322)
Foreign exchange gain/(loss)	5,563	3,776	12,121	(33,774)
Fair value gain /(loss) on warrants liability	(487,201)	4,287	(625,119)	(44,408)
Depreciation	(4,429)	(8,308)	(8,059)	(15,009)
Loss on disposal of assets	(188,870)	-	(252,494)	-
Loss on sale of financial assets	(258,426)	-	(212,368)	-
Net profit/(loss)	**(1,342,668)**	**(465,603)**	**(1,915,522)**	**(913,396)**

Interest income

Interest income is earned on funds held in transaction accounts denominated in United States dollars, Australian dollars, Canadian dollars and Euros. Interest income has declined from the previous year due to the lower cash balances held by the Company and the near-zero interest rates being achieved on our transaction accounts.

General and administration

General and administration costs (“G and A”) represent the costs of maintaining the Perth office and all other costs associated with maintaining the corporate function of the Company. It does not include the administration costs of maintaining the Company’s offices in Burkina Faso, which are included as part of exploration and evaluation expenditure.

G and A overall is consistent with prior periods. Year to date we have seen a reduction in audit costs with the change in auditor and a reduction in directors fees as the directors have elected to take a fifty percent reduction in their fees until conditions improve in the capital markets. Professional fees have also decreased as there was significant legal fees in the comparative period. Increases have been in the area of salaries as these accounts include the cost of the exploration manager in Liberia up until the point of his redundancy on June 30, 2016. Previously his salary costs were allocated to exploration and evaluation expenditure in Liberia. In addition, office and general costs have also increased due to the inclusion of $21,700 of Liberia’s office costs in the first half of 2016 and higher compliance costs associated with the resource update in January 2016.

Stock-based compensation

The Company operates a TSX-V and shareholder-approved stock option plan.

On February 26, 2016 the Company issued 1,445,000 options to directors, executives and employees. These options vested immediately, so the charge associated with the issue was recognised immediately.

The charge associated with the issue of options is calculated in accordance with the Company’s accounting policy as detailed in Note 2 “Significant Accounting Policies” in the Consolidated Financial Statements for the year ended December 31, 2015.

Foreign exchange

The Company presents it financial statements in United States dollars but holds cash reserves in other currencies. The Company holds cash reserves in Australian dollars, Canadian dollars, Euros, United States dollars and West African Franc in proportions that represent its planned expenditure. Accordingly, due to fluctuations in these currencies when compared to the United States dollar, the Company incurs accounting gains or losses due to foreign currency.

Depreciation

The depreciation charge relates to the assets held at the Perth office. The charge is consistent with the prior year reflecting minimal change to the assets in the Perth office.

Fair value loss on warrant liability

As part of the equity raisings undertaken by the Company, shareholders will, at times, receive warrants in addition to the shares issued by the Company. In accordance with IFRS, the Company cannot recognise these as share capital due to the warrants being priced in Canadian dollars and the Company’s presentation currency being United States dollars. Accordingly, any value that is ascribed to the warrants at issue is recognised as a liability and then revalued each quarter until exercise or expiry. The outstanding warrants are revalued to fair value at the end of each reporting period using the Black-Schöles Option Pricing Model utilising the assumptions disclosed in the consolidated financial statements. Should they be exercised then they would, at that point, be recorded in Share Capital.

At balance date, the Company had 22,839,100 warrants issued.

The value of the warrant liability has increased during the quarter due to the increase in the Company's share price to C$0.23 (March 31, 2016: C$0.07).

Loss on sale of assets

The amount represents the accounting write off of assets scrapped or sold with the cessation of operations in Liberia.

Loss on sale of financial assets

The Company received 5,648,310 common shares in Aureus Mining Inc. as consideration for the sale of its Cape Mount properties in Liberia on January 6, 2016. After the completion of the statutory 4 month hold period in May 2016, the Company elected to sell the shares in the public market. The loss represents difference between the value of the shares when they were received in January and the final sale price in May 2016.

EXPLORATION AND EVALUATION EXPENDITURE

The Company capitalises all costs related to the acquisition, exploration and development of mineral properties until such time as a mineral property is put into commercial production, is sold or becomes impaired as allowed under IFRS 6 "Exploration for and Evaluation of Mineral Resources". The Company has had a reduction of $42,780 for the period ended June 30, 2016 in its carrying value of exploration and evaluation activities.

Total exploration and evaluation expenditure year to date was $2,102,443 which was offset by funding received from the Company's earn-in partner of $2,044,475.

SUMMARISED QUARTERLY RESULTS

Summarised quarterly results for the past eight quarters are:

Quarter ended	Interest income	Net profit/(loss) for the period	Basic earnings/(loss) per share	Diluted earnings/(loss) per share
June 30, 2016	$8	$(1,342,668)	(1.2c)	(1.2c)
March 31, 2016	$291	$(572,854)	(0.6c)	(0.6c)
December 31, 2015	$30	$(2,500,128)	(0.3c)	(0.3c)
September 30, 2015	$345	$(2,581,622)	(2.9c)	(2.9c)
June 30, 2015	$140	$(465,603)	(0.5c)	(0.5c)
March 31, 2015	$2,562	$(447,793)	(0.5c)	(0.5c)
December 31, 2014	$3,882	$(295,780)	(0.3c)	(0.3c)
September 30, 2014	$3,498	$ (286,788)	(0.4c)	(0.4c)
June 30, 2014	$3,552	$(1,102,885)	(1.5c)	(1.5c)

The primary driver for the variance in net profit and loss over the quarters is the write off of permits and movements in the warrant liability. In the current quarter, the Company had a loss on sale from the sale of its Aureus Mining Inc shares.

The only other components of the net profit and loss are the general and administrative costs of running the Perth office, foreign exchange gains and losses, stock-compensation costs and depreciation.

LIQUIDITY AND CAPITAL RESOURCES

At this point in time, the Company does not generate cash from mining operations. In order to fund its exploration and administrative activities, the Company is dependent upon raising capital through the issue of shares and warrants. The Company continues to believe such financing will be available, as and when required and on acceptable terms but there is no guarantee that is the case.

As at June 30, 2016 the Company had working capital of $497,247. Working capital is defined as current assets less current liabilities.

COMMON SHARE DATA (as at August 26, 2016)

Common shares outstanding	111,469,292
Options issued to directors, executive officers, employees and a consultant	7,212,500
Warrants issued to shareholders and agents	22,704,100
Common shares outstanding assuming exercise of all options and warrants	141,385,892

RISK AND UNCERTAINTIES

The Company's operations and results are subject to a number of different risks at any given time. These risk factors include, but are not limited to:

1. exploration and development risk;
2. market factors and volatility of commodity prices;
3. negative operating cash flow and the need for additional financing;
4. limited operating history;
5. global economic conditions;
6. price volatility in publicly traded securities;
7. title and property risks;
8. dependence on key management and qualified personnel;
9. risks associated with operations in Africa;
10. risks associated with maintaining a skilled workforce;
11. risks relating to government regulations;
12. environmental laws, regulations and risks;
13. uncertainty of acquiring necessary permits and compliance with terms;
14. infrastructure risks;
15. uninsurable risks;
16. enforcement of legal rights;
17. risks relating to the presence of artisanal miners;
18. fluctuations in foreign exchange rates;
19. competition;
20. acquisition risks;
21. conflicts of interest;
22. dilution;
23. dividends;
24. PFIC classification; and
25. pandemic risks.

For a detailed explanation of each of these risks number 1 to 24, please refer to page 19 of the Company's Annual Information Form dated June 1, 2016. The Company's Annual Information Form is published at www.sedar.com.

OFF-BALANCE SHEET TRANSACTIONS

During the period ended June 30, 2016, and up to the date of this report, the Company had no off-balance sheet transactions.

CHANGES IN ACCOUNTING POLICIES

There has been no change to accounting policies since January 1, 2016.

RECENT ACCOUNTING PRONOUNCEMENTS

The following pronouncements were issued by the IASB and will be mandatory for accounting periods after June 30, 2016. The pronouncement have been evaluated and are not considered advantageous for early adoption.

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The Company is assessing the impact of adopting IFRS 9 on its consolidated financial statements which is mandatory for financial years commencing on or after January 1, 2018.

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

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

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[1] *43.0 Mt @ 1.5 g/t Au (reported above cut-off grades ranging 0.3-2.2 g/t Au, reflecting the mining methods and processing flowsheets assumed to assess the likelihood of the inferred mineral resources having reasonable prospects for eventual economic extraction)*

[2] *The effective date of the Company's inferred mineral resource estimate is February 4, 2016. For further information regarding the mineral resource estimate please refer to the technical report titled "NI 43-101 Independent Technical Report South Houndé Project Update, Bougouriba and Ioba Provinces, Burkina Faso", dated March 31, 2016. The technical report is available under Sarama Resources Ltd.'s profile on SEDAR at www.sedar.com.*

[3] *4.1Mt @ 2.1g/t Au for 282,000 oz Au (measured and indicated) and 2.5Mt @ 1.8g/t Au for 149,700 oz Au (inferred), reported at a 0.5 g/t Au cut-off*

[4] *The effective date of the historical estimate of the Bondi deposit mineral resource estimate is February 20, 2009. For further information regarding the mineral resource estimate please refer to the technical report titled "Technical Report on the Mineral Resource of the Bondigui Gold Project", dated February 20, 2009. The technical report is available under Orezone Gold Corporation's profile on SEDAR at www.sedar.com.*

[5] *13.5 Mt @ 1.2 g/t Au for 0.5 Moz Au reported above 0.3 g/t Au*

[6] *Previous inferred mineral estimate was 29.1 Mt @ 1.6 g/t Au for 1.5 Moz Au reported above 0.8 g/t Au (refer to technical report titled "The South Houndé Project, Bougouriba and Ioba Provinces, Burkina Faso, 28 October 2013")*