

# **SARAMA RESOURCES LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS**

**For the three months (fourth quarter) and year ended December 31, 2018**

**Dated: April 30, 2019**

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

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## 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 year ended December 31, 2018.

The consolidated financial statements for the year ended December 31, 2018 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 April 30, 2019.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://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 and development 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 and advanced substantial exploration landholdings in prospective and underexplored areas in West Africa, with a central focus on the southern Houndé greenstone belt in south-west Burkina Faso. As at June 30, 2018, the Company has significant interests in three projects with mineral resources and is actively building exploration positions in other prospective areas

The exploration activities are focussed within 4 major project areas in the south west of Burkina Faso;

- South Houndé Project (2.1 Moz Au inferred mineral resources<sup>1</sup>, 50% interest increasing to 100% upon execution of agreement for Acacia Mining plc ('Acacia') to exit the Project
- Karankasso Project JV (0.7Moz Au inferred mineral resources<sup>2</sup>, 25% interest)
- ThreeBee Project (0.3Moz Au measured and indicated and 0.1Moz Au inferred mineral resource (historical)<sup>3</sup>, 100% interest)
- Koumandara Project (100% interest)

## CORPORATE

### Treasury

As at December 31, 2018, the Company had cash and cash equivalents of \$398,960 and no debt.

### Sale of 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 ("the Property"), in 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. Pursuant to the Agreement, Sarama has received 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.

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. As at April 30, 2019, the Property is yet to be registered in the name of Oklo or its nominee.

### Heads of Agreement executed to resume 100% ownership of South Hounde Project

On November 27, 2018, the Company announced that it had executed a Heads of Agreement (the "Agreement") with Acacia Mining plc ("Acacia") to terminate the 2014 earn-in agreement between the two companies in respect of the South Houndé Project (the "Project"). The Agreement provides for Sarama to resume operatorship and a 100% interest in the Project. Commercial terms of the Agreement are as follows;

- Sarama will make cash payments to Acacia according to the following schedule:
  - o US\$750,000 on completion of all pertinent agreements ("**Completion Date**")
  - o US\$750,000 at 6 months after the Completion Date;
  - o US\$500,000 at 12 months after Completion Date; and
  - o US\$2,000,000 upon commercial production of gold from the Project.

- Sarama will grant Acacia a royalty on gold production from the Project on the following terms:
  - o royalty payments to be capped at gold production of 1Moz Au;
  - o 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.
- Sarama will grant to Acacia the following warrants for common shares in Sarama, exercisable for 5-years:
  - o 2.5M warrants, exercisable at C\$0.10 per share; and
  - o 2.5M warrants, exercisable at C\$0.20 per share.

### **Private Placement raising Gross Proceeds of C\$5,860,715**

On April 30, 2019, the Company announced that further to its press releases issued April 9, 2019 and April 26, 2019 in relation to the Company's proposed private placement, due to strong support from existing shareholders and new investors, the Company had closed its offering issuing 68,949,585 common shares at a price of C\$0.085 per common share for aggregate gross proceeds to the Company of C\$5,860,715 (the "Private Placement"). The proceeds of the Private Placement will be used to fund payments to regain 100% ownership of the South Houndé Project (news release dated 27 November 2018), exploration activities and to meet working capital requirements of the Company. Sarama intends to undertake a resource development program to firm-up and expand existing oxide and free-milling mineral resources on the South Houndé and ThreeBee Projects.

## EXPLORATION AND EVALUATION EXPENDITURE

During the current year the Company incurred expenditure of \$1,773,424.

The costs per active project area per each quarter during the current year ending December 31, 2018 is as follows;

	Three months ended <b>31 Mar 2018</b>	Three months ended <b>30 June 2018</b>	Three months ended <b>30 Sept 2018</b>	Three months ended <b>31 Dec 2018</b>	Twelve months ended <b>31 December 2018</b>
South Houndé	(5,901)	23,094	11	(17,071)	133
ThreeBee	239,745	578,206	298,081	154,539	1,270,571
Koumandara	41,324	154,046	149,912	105,154	450,436
Other – Burkina Faso **	-	(10,207)	6,020	12,125	7,938
Mali	20,067	12,278	-	12,002	44,347
<b>Total</b>	<b>295,235</b>	<b>757,417</b>	<b>454,024</b>	<b>266,749</b>	<b>1,773,425</b>

\*\* “Other – Burkina Faso” comprises properties within the Boromo and Bingo Projects

For the quarter ended December 31, 2018, the Company incurred gross exploration expenditures of \$0.3 million mainly on the ThreeBee and Koumandara Projects. Expenditure incurred at the ThreeBee Project of \$0.2 million related to the compilation of historical exploration data including re-assembly and cleansing of the drillhole database, re-interpretation of airborne and ground-based geophysical data and updating of the property's geological map, plus allocation of administration, camp and technical support. Expenditure incurred at Koumandara of \$0.1 million related to surface prospecting and soil geochemistry programs plus allocation of administration, camp and technical support

## PROPERTY INFORMATION, RECENTLY COMPLETED ACTIVITIES AND OUTLOOK

### Burkina Faso

As at December 31, 2018 the Company had interests, directly and indirectly, in mineral properties covering an area of approximately 3,100km<sup>2</sup> located principally within the southern Houndé Greenstone Belt, approximately 360km south-west of the capital Ouagadougou. The exploration activities are primarily focussed within 4 project areas:

- South Houndé Project
- ThreeBee Project
- Koumandara Project
- Karankasso Project

## South Houndé Project

### Property Information

The primary exploration focus of the Company has been its South Houndé Project comprising seven properties covering an area of approximately 750 km<sup>2</sup>. It is located in the southern Houndé Belt, which hosts Semafo Inc.'s Mana Gold Mine, Roxgold Inc.'s Yaramoko Gold Mine and Endeavour Mining Corp's Houndé Gold Mine, and recent +1Moz Au discoveries including Teranga's Golden Hill deposit and Endeavour Mining's Kari Pump discovery

On November 27, 2014, the Company signed an earn-in agreement ("**South Houndé Agreement**") with Acacia. Over the ensuing 4-years, and pursuant to the terms of the agreement, Acacia sole-funded project exploration and related expenditures of approximately \$13 million and earned rights to a 50% interest in the project. On November 26, 2018, the Company executed a heads of agreement with Acacia that provides for the termination of the South Houndé Agreement, rescinding Acacia's rights, and providing Sarama with 100% ownership and operational control of the project.

On February 8, 2016 the Company announced an updated mineral resource estimate<sup>1</sup> of 43Mt @ 1.5g/t Au for 2.1Moz of contained gold (inferred). Cube Consulting Pty Ltd, Orway Mineral Consultants Pty Ltd and Kappes, Cassidy & Associates Australia Pty Ltd prepared the technical report titled "NI 43-101 Independent Technical Report, South Houndé Project, Bougouriba and Ioba Provinces, Burkina Faso", dated March 29, 2016 and filed on SEDAR ([www.sedar.com](http://www.sedar.com)). There are no material differences in the technical information contained in the technical report compared to the disclosure in the February 8, 2016 news release.

### Recently Completed Activities

- Acacia suspended exploration activities on the Project in Q2 18.
- Acacia finalised the re-estimation of the project's geological inventory with the work being undertaken by SRK Consulting (UK) Limited. The revision featured the fine-tuning of geological and structural interpretations and will be used to generate near-resource exploration targets.
- The Company reached a heads of agreement with Acacia to terminate the South Houndé Agreement, which when completed, will result in Sarama regaining 100% ownership and operational control of the project. The parties worked on the preparation of definitive documentation for the transaction which is expected to be finalised in Q2 2019.
- The Company completed a review of Acacia's historical work on the project in preparation for resumption of exploration activities which will be under the control of Sarama and which will focus on oxide and free-milling exploration targets.

### Outlook

The Company is planning to resume operational control of the project in Q2 2019 and will continue to work on the preparation of definitive documentation to complete the transaction with Acacia.

Upon completion of the transaction, expected in Q2 2019, Sarama intends to start framing up potential project development options and to undertake a resource development program aimed at firming up and increasing the oxide and free milling component of the mineral resource to further enhance the project development picture. Field activities will nominally include AC and RC drilling, metallurgical testwork and project dimensioning work.

## ThreeBee Project

### Property Information

The ThreeBee Project comprises four exploration properties (Djarkadougou, Botoro, Bamako and Bouni) covering an area of 660 km<sup>2</sup> and lies immediately north and east of the South Houndé Project.

The main focus of the project is the Bondi Deposit that lies fully within the Djarkadougou Property, which is located immediately adjacent to and within trucking distance to Sarama's South Houndé Project. The deposit has a historical estimate of mineral resources<sup>3</sup> of 282,000oz Au (measured and indicated) and 150,000 oz Au (inferred).

By virtue of the high-grade and free milling nature of the Bondi Deposit, the project will play an important role in the development of the southern Houndé Belt, with the potential to have ore trucked to one of several regional processing facilities, depending on ownership and development configuration.

Regional exploration by the Company has identified a number of early-stage targets which have the potential to make meaningful additions to the historical mineral resource base of the project. The most advanced of these target areas is the Zanawa Prospect, located approximately 4km north-east of the Bondi Deposit, which has returned **22m @ 3.85g/t Au** from 5m in DJR0029, **29m @ 1.44g/t Au** from 1m and 10m @ 1.24g/t Au from 67m in DJR0030 and **5m @ 4.54g/t Au** from 15m in DJA0141 in recent drilling by the Company.

#### Recently Completed Activities

- The Company continued to compile historical exploration data and generate new targets for testing on the Djarkadougou Property. This work included re-assembly and cleansing of the drillhole database, re-interpretation of airborne and ground-based geophysical data and updating of property's geological map. As a result of this work, several new targets have been identified which have the potential to extend and add to the oxide component of the historical mineral resource.
- Field work was limited during the quarter with desk top review being the primary focus.
- The Company continued to monitor the progress for the renewal and re-issue of the Exploration Permits for the Djarkadougou, Bamako and Bouni Properties, and continued its dialogue with senior members of the government to expedite this process

#### Outlook

The Company will continue its two-pronged strategy of systematic regional exploration for discovery of new mineralisation and secondly, validation of the large amount of historical data concentrated in the Bondi Deposit area with a view to generating new and extensional targets.

On the Djarkadougou Property, further field work, including drilling, is anticipated once the Exploration Permit has been re-issued.

Pending further field work and desktop assessment, further drilling is anticipated on the Botoro and Bamako Properties to follow-up the areas of significance in the Q2 2018 drill program.

## **Koumandara Project**

#### Property Information

The Koumandara Project comprises four exploration properties covering an area of approximately 600 km<sup>2</sup> in the Banfora Belt and lies 80km west of the South Houndé Project. Historical work conducted by the Company has resulted in the identification of significant zones of gold-in-soil anomalism and encouraging scout drilling results which are aligned with regional structural features, illustrating the region's prospectivity.

#### Recently Completed Activities

- The Company continued to compile historical exploration data for the constituent properties to facilitate a holistic exploration assessment of the project. This work included soil geochemistry and surface prospecting and auger, AC and RC drilling.
- Further surface prospecting and soil geochemistry programs were conducted by Sarama, complementing previous work by the Company and historical operators. The work continued to support the interpretation of a wide trend of anomalous gold values (+20ppb Au) extending over a strike length of approximately 45km. The anomalism is spatially associated with an interpreted structurally deformed mafic-sediment contact zone within a broader sedimentary unit. At higher gold-in-soil thresholds (+50 ppb Au), three anomalous trends are present, extending in a north-easterly direction and are interpreted to be co-incident with local and regional structural and lithological features. Clusters of +300ppb Au samples are also present and form prospect areas which will be prioritised in further exploration work.

#### Outlook

The Company anticipates it will continue to develop more high quality drill targets on the Koumandara Project in H2 2019 following further surface prospecting, soil geochemistry surveys and remote image interpretation.

## Karankasso Project

### Property Information

The Karankasso Project ("**Karankasso**") is located approximately 400 kilometres southwest of Ouagadougou, in Burkina Faso. The project can be accessed by a paved highway with both rail and grid power coming within approximately 65 kilometres.

In September 2014 the Company completed joint venture ("**JV**") negotiations and executed a binding agreement with Savary Gold Corp. ("**Savary**") which resulted in the unified ownership of Sarama's Sérakoro 1 Property and several of Savary's contiguous exploration properties in the southern Houndé Belt. The resultant Karankasso JV was initially 65% owned by Savary and 35% owned by Sarama with Savary the operator as long as it controls a majority interest in the joint venture project.

As at December 31, 2018, the Company held an approximate 25% interest in the Karankasso JV and Savary continues to be the operator.

On October 8, 2015, Savary declared a maiden inferred mineral resource estimate<sup>2</sup> of 9.1Mt @ 2.28g/t Au for 671,000 oz of contained gold.

Exploration activities after the release of the mineral resource estimate have been focussed on extending mineralised lodes as well as generating new exploration targets within the project area. This has involved additional drilling, soil geochemistry and geophysical surveys. Sarama considers the property to have potential to add satellite feed to a regional development scenario.

### Recently Completed Activities

- Savary's work in Q4 2018 on the project involved preparations for a modest drilling program in the Karangosso and Serakoro West Prospects.
- Diamond core drilling was undertaken in the mineral resource to provide samples for metallurgical test work
- Metallurgical testwork continued in selected areas of the project's mineral resource as a follow-up from previous work.

### Outlook

H1 2019 will see the continuation of general prospecting and exploration drilling, expected to be focussed on Serakoro 1 Property and select areas of the mineral resource in the project's northern properties.

Sarama is awaiting further metallurgical testwork on certain areas of the mineral resource to identify and clarify the causes of material differences in assumed metallurgical recoveries which vary markedly between deposits and zones. The results of the work will be used to better inform Sarama's ongoing investment in the project.

## Mali

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**") for consideration comprising cash and shares in Oklo for a total value of A\$1M. The Company announced the satisfaction of all conditions precedent in relation to the agreement and has transferred all interests in the Kandiole Sud Exploration Property to Oklo.

A third and final payment tranche is payable by Oklo conditional upon Oklo, or its nominee, being registered by the Government of Mali as the 100% owner of the Kandiole Sud Exploration Permit. The Company anticipates this condition will be satisfied H2 2019.

## SELECTED UNAUDITED QUARTERLY FINANCIAL INFORMATION

The following information has been extracted from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), for each of the quarters ended December 31.

Please refer to Results of Operations for analysis of Operations for the three months ended 31 December 2018 compared to the three months ended 31 December 2017.

	2018 \$	2017 \$	2016 \$ (Restated)
Interest income - year to date	726	732	834
Net profit/(loss) for the quarter	(629,845)	(532,353)	122,330
Net profit/(loss) per share for the quarter - basic and diluted (cents)	(0.3)	(0.4)	0.1
Net loss year to date	2,900,663	1,785,855	4,064,224
Net loss per share year to date - basic and diluted (cents)	1.7	1.4	3.9
Total assets	2,630,173	2,487,906	2,937,886
Total liabilities	279,637	438,793	1,797,861

## RESULTS OF OPERATIONS

### Quarters ended December 31, 2018 and 2017

	Q4 2018 \$	Q4 2017 \$	Variance \$
<b>Income</b>			
Interest income	350	9	341
Other income	1,402	-	1,402
	1,752	9	1,743
<b>Expenses</b>			
Accounting and audit	20,686	2,153	(18,533)
Business development	36,458	2,173	(34,285)
Directors fees	12,132	14,449	2,317
Insurance	19,478	25,251	5,773
Marketing and investor relations	19,081	15,724	(3,357)
Office and general	33,248	33,699	451
Professional fees	7,659	15,643	7,984
Salaries	151,330	219,600	68,270
Travel	17,101	45,257	28,156
Foreign exchange (gain)/loss	35,138	16,640	(18,498)
Total general and administration	352,311	390,589	38,278
Exploration expenditure as incurred	266,748	541,154	274,406
Depreciation	604	1,940	1,336
Stock-based compensation	-	-	-
Fair value loss on financial assets carried at fair value through profit or loss	24,564	-	(24,564)
Fair value loss/(gain) on warrants carried at fair value through profit or loss	(12,629)	(401,322)	(388,693)
<b>Net profit/(loss)</b>	<b>(629,846)</b>	<b>(532,352)</b>	<b>(97,494)</b>

The Company reported a loss of \$629,846 (\$0.003 per share) for the quarter ended December 31, 2018, compared to a loss of \$532,352 (\$0.004 per share) for the quarter ended December 31, 2017 (Negative variance \$97.494).

Exploration expenditure decreased by \$274,406 compared to the December 2017 quarter due to decreased activity at the ThreeBee project this quarter. Fair value gain on warrants was \$12,629 in December 2018 compared to a gain of \$401,322 in the December 2017 quarter (negative variance \$388,693) primarily due to a lesser number of outstanding warrants in the current quarter compared to the same period last year. The shares acquired from the disposal of the Kandiole Sud Property to Oklo have been revalued at market value as at December 31, 2018 resulting in a loss of \$24,564 for the quarter. Business development expenditure for December 2018 quarter was \$36,458 compared to \$2,173 in December 2017 quarter (negative variance \$34,285) due to legal costs relating to the acquisition of property in Koumandara project and termination of Acacia's interest in South Hounde, plus settlement of historic sponsorship agreement in relation to exploration research initiatives in West Africa. Accounting and audit cost was \$20,686 for the December 2018 quarter compared to \$2,153 in December 2017 quarter (negative variance \$18,533) due to accrual of 2018 audit being recognised this year. Salaries for December 2017 quarter were \$151,330 compared to \$219,600 (positive variance \$68,270) due to initial recognition of long service leave in the December 2017 quarter.

**Year ended December 31, 2018 and 2017**

	YTD 2018 \$	YTD 2017 \$	Variance \$
<b>Income</b>			
Interest income	726	732	(6)
Other income	1,402	-	1,402
	2,128	732	1,396
<b>Expenses</b>			
Accounting and audit	41,974	24,432	(17,542)
Business development	108,023	35,602	(72,421)
Directors fees	53,412	57,063	3,651
Insurance	35,630	35,872	242
Marketing and investor relations	44,313	68,541	24,228
Office and general	159,478	171,063	11,585
Professional fees	70,832	74,157	3,325
Salaries	672,191	751,183	78,992
Travel	67,588	120,015	52,427
Foreign exchange (gain)/loss	33,794	(30,208)	(64,002)
Total general and administration	1,287,235	1,307,720	20,485
Exploration expenditure as incurred	1,773,424	1,341,322	(432,102)
Depreciation	2,654	9,177	6,523
Stock-based compensation	378,778	266,246	(112,532)
Gain on disposal of assets	(524,880)	-	524,880
Loss on sale of financial assets	136	-	(136)
Fair value loss on financial assets carried at fair value through profit or loss	141,194	-	(141,194)
Fair value loss/(gain) on warrants carried at fair value through profit or loss	(155,750)	(1,137,878)	(982,128)
<b>Net loss</b>	<b>(2,900,663)</b>	<b>(1,785,855)</b>	<b>(1,114,808)</b>

The Company reported a loss of \$2,900,663 (\$0.017 per share) for the year ended December 31, 2018, compared to a loss of \$1,785,855 (\$0.014 per share) in the year ended December 31, 2017.

Exploration expenditure increased by \$432,102 compared to the year ended December 2017 due to increased activity at the ThreeBee and Koumandara Projects this year.

Fair value gain on warrants was \$155,750 in 2018 compared to a gain of \$1,137,878 in 2017 (negative variance \$982,128) due to a lesser number of outstanding warrants and lesser price volatility in the current year compared with the same period last year. Stock-based compensation was higher this year (negative variance (\$112,532) due to increased number of options granted in 2018 compared to 2017. The shares acquired from the disposal of the Kandiole Sud Property to Oklo have been revalued at market value as at December 31, 2018 resulting in a loss of \$141,194. Other income of \$524,880 (positive variance \$524,880) represented the receipt of the Tranche 1 and Tranche 2 consideration from Oklo.

General and administration costs were lower by \$20,485 for the period ended December 31, 2018 compared with the corresponding period in 2017. This included increased expenditure in Business development relating to legal costs for acquisition of property in Koumandara project, disposal of Kandiole Sud property, termination of Acacia's interest in South Hounde and settlement of historic sponsorship agreement in relation to exploration research initiatives in West Africa (negative variance \$72,421). This was offset by decrease in Salaries (positive variance \$78,992) due to initial recognition of long service leave provision in 2017 and travel (positive variance \$52,427) due to decreased frequency of travel to Burkina Faso.

## SUMMARISED UNAUDITED QUARTERLY RESULTS

Summarised unaudited quarterly results for the past eight quarters are:

Quarter ended	Interest income (\$)	Net profit/(loss) for the period (\$)	Basic earnings/(loss) per share (cents)	Diluted earnings/(loss) per share (cents)
December 31, 2018	350	(629,845)	(0.3)	(0.3)
September 30, 2018	36	(915,709)	(0.5)	(0.5)
June 30, 2018	105	(555,116)	(0.3)	(0.3)
March 31, 2018	235	(799,994)	(0.6)	(0.6)
December 31, 2017	9	(532,352)	(0.4)	(0.4)
September 31, 2017	311	(499,419)	(0.4)	(0.4)
June 30, 2017	30	21,031	0.0	0.0
March 31, 2017	382	(775,114)	(0.6)	(0.6)

The primary driver for the variance in net profit and loss across multiple quarterly periods is due to the expensing of exploration expenditure and the revaluation of warrants carried at fair value through profit or loss.

Other components within the net profit/loss are 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 December 31, 2018 the Company had working capital surplus of \$464,404 (December 31, 2017: \$74,669 surplus). Working capital is defined as current assets less current liabilities. Adjusted for the elimination of the financial liability relating to the warrants, adjusted working capital is a surplus of \$464,404 (December 31, 2017: \$230,419).

### COMMON SHARE DATA (as at April 30, 2019)

Common shares outstanding	250,659,987
Options issued to directors, executive officers, employees and a consultant	17,020,000
Warrants issued to shareholders and agents	3,500,000
Common shares outstanding assuming exercise of all options and warrants	<u>271,179,987</u>

## 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 September 1, 2016. The Company's Annual Information Form is published at [www.sedar.com](http://www.sedar.com).

## OFF-BALANCE SHEET TRANSACTIONS

During the period ended December 31, 2018, and up to the date of this report, the Company had no off-balance sheet transactions.

## RECENT ACCOUNTING PRONOUNCEMENTS

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.

## ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Footnotes

1. *South Houndé Project - 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). This mineral resource contains an oxide and transition component of 16.0Mt @ 1.2g/t Au for 611koz Au (reported at a cut-off grade of 0.3g/t Au for oxide and 0.8g/t Au for transition material). 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 and prepared by Adrian Shepherd. Adrian Shepherd is an employee of Cube Consulting Pty Ltd and is considered to be independent of Sarama. The technical report is available under Sarama's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*
2. *Karankasso Project - 9.2Mt @ 2.3g/t Au (at a 0.5g/t Au cut-off). The effective date ("Effective Date") of the most recent Karankasso Project JV mineral resource estimate that is supported by a technical report is October 7, 2015. For further information regarding that mineral resource estimate please refer to the technical report titled "Technical Report and Resource Estimate on the Karankasso Project, Burkina Faso", dated October 7, 2015 and prepared by Eugene Puritch and Antoine Yassa. Eugene Puritch and Antoine Yassa are employees of P&E Mining Consultants Inc. and are considered to be independent of Savary and Sarama. The technical report is available under Savary's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Sarama has not independently verified Savary's mineral resource estimate and takes no responsibility for its accuracy. Savary is the operator of the Karankasso Project JV and Sarama is relying on their Qualified Persons' assurance of the validity of the mineral resource estimate. Additional technical work has been undertaken on the Karankasso Project since the Effective Date, including but not limited to, metallurgical*

*testwork, exploration drilling and mineral resource estimation, but Sarama is not in a position to quantify the impact of this additional work on the mineral resource estimate referred to above.*

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.*
  - i. *The historical estimate of the Bondi Deposit reflects a mineral resource estimate compiled by Orezone Gold Corporation ("Orezone") which has an effective date of February 20, 2009. The historical estimate is contained in a technical report titled "Technical Report on the Mineral Resource of the Bondigui Gold Project", dated date of February 20, 2009 and prepared by Yves Buro (the "Bondi Technical Report"). Yves Buro is an employee of Met-Chem Canada Inc and is considered to be independent of Orezone and Sarama. The technical report is available under Orezone's profile on SEDAR at [www.sedar.com](http://www.sedar.com).*
  - ii. *Sarama believes that the historical estimate is relevant to investors' understanding of the property, as it reflects the most recent technical work undertaken in respect of the Bondi Deposit.*
  - iii. *The historical estimate was informed by 886 drillholes, assayed for gold by cyanidation methods, were used to interpret mineralised envelopes and geological zones over the area of the historical estimate. Gold grade interpolation was undertaken using ID<sup>2</sup> methodology based on input parameters derived from geostatistical and geological analyses assessments. Field measurements and geological logging of drillholes were used to determine weathering boundaries and bulk densities for modelled blocks.*
  - iv. *The historical estimate uses the mineral resource reporting categories required under National Instrument 43-101.*
  - v. *No more recent estimates of the mineral resource or other data are available.*
  - vi. *Sarama is currently undertaking the necessary verification work in the field and on the desktop that may support the future reclassification of the historical estimate to a mineral resource.*
  - vii. *A qualified person engaged by Sarama has not undertaken sufficient work to verify the historical estimate as a current mineral resource and Sarama is therefore not treating the historical estimate as a current mineral resource.*

## Qualified Persons' Statement

Scientific or technical information in this disclosure that relates to the Company's exploration activities in Burkina Faso is based on information compiled or approved by Guy Scherrer. Guy Scherrer is an employee of Sarama Resources Ltd and is a member in good standing of the Ordre des Géologues du Québec 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. Guy Scherrer consents to the inclusion in this disclosure of the information, in the form and context in which it appears.

Scientific or technical information in this disclosure that relates to the preparation of the South Houndé Project's mineral resource estimate is based on information compiled or approved by Adrian Shepherd. Adrian Shepherd is an employee of Cube Consulting Pty Ltd and is considered to be independent of Sarama Resources Ltd. Adrian 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. Adrian Shepherd consents to the inclusion in this disclosure of the information, in the form and context in which it appears.

Scientific or technical information in this disclosure, in respect of the Bondi Deposit relating to mineral resource and exploration information drawn from the Technical Report prepared for Orezone on that deposit has been approved by Guy Scherrer. Guy Scherrer is an employee of Sarama Resources Ltd and is a member in good standing of the Ordre des Géologues du Québec 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. Guy Scherrer consents to the inclusion in this disclosure of the information, in the form and context in which it appears.

Scientific or technical information in this disclosure that relates to the quotation of the Karankasso Project's mineral resource estimate is based on information compiled by Paul Schmiede. Paul Schmiede is an employee of Sarama Resources Ltd and is a Fellow in good standing of the Australasian Institute of Mining and Metallurgy. Paul Schmiede 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. Paul Schmiede consents to the inclusion in this disclosure of the information, in the form and context in which it appears. Paul Schmiede and Sarama have not independently verified Savary's mineral resource estimate and take no responsibility for its accuracy.