

# **SARAMA RESOURCES LTD.**

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

**For the three months (fourth quarter) and year ended December 31, 2019**

**Dated: April 21, 2020**

**(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, 2019.

The consolidated financial statements for the year ended December 31, 2019 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 21, 2020.

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 pandemics and health, 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 December 31, 2019, the Company has significant interests in three Projects with mineral resources and is actively building exploration positions in other prospective areas.

Exploration and development activities are focussed within 2 major project areas in the south west of Burkina Faso with the most advanced being the southern Houndé Belt development area which hosts the South Houndé Project<sup>(4)</sup> (2.1 Moz Au inferred mineral resources<sup>(1)</sup>) and the adjoining ThreeBee Project (0.3Moz Au measured and indicated and 0.1Moz Au inferred mineral resource (historical)<sup>(3)</sup>). The Koumandara Project is an early-stage, regional exploration play and is located within the Banfora Belt.

The Company holds a 20% interest in the Karankasso Project JV (0.7Moz Au inferred mineral resources<sup>(2)</sup>) which is operated by Semafo Inc ("**Semafo**"). On March 23, 2020, Endeavour Mining Corporation ("**Endeavour**") announced that they had entered into a definitive agreement to acquire Semafo and that the transaction is anticipated to close in the quarter ending June 30, 2020. Sarama and Endeavour have been proactive in discussions with respect to the management of the Karankasso Project JV and opportunities to create further value for both companies.

## CORPORATE

### Treasury

As at December 31, 2019, the Company had cash and cash equivalents of \$2,227,604 and no debt.

## EXPLORATION AND EVALUATION EXPENDITURE

During the current year the Company incurred exploration expenditure of \$2,288,653.

The costs per active project area per each quarter for the current period ending December 31, 2019 and preceding four quarters is as follows;

	Three months ended <b>March 31, 2019</b>	Three months ended <b>June 30, 2019</b>	Three months ended <b>September 30, 2019</b>	Three months ended <b>December 31, 2019</b>	Twelve months ended <b>December 31, 2019</b>
South Houndé	-	599,925	184,522	130,600	<b>915,047</b>
ThreeBee	19,719	23,185	22,244	259,307	<b>324,455</b>
Koumandara	223,204	181,089	298,550	117,462	<b>820,305</b>
Other – Burkina Faso **	-	27,178	-	-	<b>27,178</b>
Full year Foreign Currency Translation	-	-	-	201,668	<b>201,668</b>
<b>Total</b>	<b>242,923</b>	<b>831,377</b>	<b>505,316</b>	<b>709,037</b>	<b>2,288,653</b>

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

For the quarter ended December 31, 2019, the Company incurred exploration expenditure of \$709k. Expenditure incurred at the South Houndé Project was \$131k which included sampling, database management, permit taxes and renewal fees (\$56k), plus allocation of administration, camp and technical support (\$75k). Costs at ThreeBee of \$259k including drilling program conducted at Bamako 2 during the fourth quarter (\$172k), plus allocation of administration, camp and technical support (\$87k). Costs at Koumandara project of \$117k included vendor payments (\$71k), Permit taxes and renewal fees (\$14k) plus allocation of administration, camp and technical support (\$32k). Foreign currency translation of \$201k represents the full year difference in translating local currency balances in Burkina Faso into USD at average exchange rates compared to the year-end exchange rate.

## PROPERTY INFORMATION, RECENTLY COMPLETED ACTIVITIES AND OUTLOOK

### Burkina Faso

As at December 31, 2019 the Company had interests, directly and indirectly, in mineral properties covering an area of approximately 3,000km<sup>2</sup> located principally within the southern Houndé and Banfora Greenstone Belts, in south-west Burkina Faso. The exploration activities are primarily focussed within 2 geographical areas:

#### 1. The southern Houndé Belt project area hosting the

- a. South Houndé Project,
- b. ThreeBee Project,
- c. Karankasso Project and;

#### 2. The northern Banfora Belt project area hosting the

- a. Koumandara Project.

## South Houndé Project

### Property Information

The primary focus of the Company has been its South Houndé Project which comprises seven properties covering an area of approximately 790 km<sup>2</sup>. It is located in the southern Houndé Belt, which hosts Semafo'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 deposit. Recent exploration by Semafo produced the Bantou Nord discovery approximately 5km from Sarama's South Houndé Project resource.

On November 27, 2014, the Company signed an earn-in agreement with Acacia. Over the ensuing 4 years, Acacia sole-funded project exploration and related expenditures of approximately \$13 million and earned rights to a 50% interest in the project. On May 14, 2019, the Company executed a binding agreement with Acacia that provided for the termination of the earn-in agreement, rescinding Acacia's rights, and providing Sarama with operational control of the project and a pathway for 100% ownership. On June 1, 2019, the Company formally regained operatorship of the project and in November 2019, the Company regained 100% ownership 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.

Subsequent exploration of the project has extended the strike length of drill-defined mineralisation to 12km and has identified new zones and prospects for follow-up.

### Activities Completed in Q4 2019

- On November 18, 2019, the Company announced that it had renegotiated certain terms of the definitive agreement with Barrick TZ Ltd. ("**Barrick**"), formerly Acacia Mining plc ("**Acacia**"), originally executed on May 14, 2019, that provides for the termination of the 2014 earn-in agreement between the two companies in respect of the South Houndé Project. The renegotiated terms resulted in an immediate return to 100% ownership of the project for the Company and the reduction of the trailing reimbursement payment. The key commercial terms are as follows:
  - Sarama will make a cash payment of US\$1 million to Barrick 12 months from the date of the amendment;
  - Sarama will grant Barrick the right to commercial production-based payments consisting of:
    - US\$1,000,000 on production of 10,000 oz gold;
    - US\$1,000,000 on production of a further 5,000 oz gold;
    - royalty payments, capped at gold production of 1Moz Au, according to sliding-scale royalty rates of:
      - 1.0% for gold price ≤US\$1300/oz;
      - 1.5% for gold prices >US\$1300/oz and ≤US\$1500/oz; and
      - 2.0% for gold prices >US\$1500/oz; and
  - Sarama will grant to Barrick the following warrants for common shares in Sarama, exercisable for 5-years:
    - 2.5M warrants, exercisable at C\$0.10 per share; and
    - 2.5M warrants, exercisable at C\$0.20 per share.
- The Company continued to review recent and historical work on the project focussing on oxide and free-milling exploration targets in the main mineralised corridor and in certain regional areas.
- The Company identified further high-probability oxide and free milling exploration targets that have potential to make meaningful additions to the mineral resource and the various exploitation scenarios being considered. Preliminary planning and target ranking was undertaken.
- The Company continued to examine options for project configuration, including tank-based and heap leaching alternatives, coupled with varying output ranges and funding models.

## Outlook

The increasing gold price has the potential to broaden the scope for development of the project and potentially allows for alternate processing configurations and leverage the significant sulphide resource base to provide for a longer life and higher output project.

Sarama intends to continue framing up potential project development options considering the materially higher gold price with historical evaluation work identifying nominally a \$1,500/oz gold price as being a major inflection point for including the sulphide resource and the related mining and processing economics.

The Company intends 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 potential project development options. Field activities will nominally include AC and RC drilling and, metallurgical testwork to support project dimensioning work and it is anticipated these work programs and activities will be completed prior to commencing formal study work.

The Company's field and exploration activities are currently suspended due to the direct and indirect impact of the Covid-19 pandemic. The Company has taken all reasonable steps to minimise in-country expenditure while maintaining the structure of the business to enable orderly resumption of business when the situation allows.

## **ThreeBee Project**

### Property Information

The ThreeBee Project comprises four exploration properties (Djarkadougou, Botoro, Bamako2 and Bouni) covering an area of 660 km<sup>2</sup> and lies immediately north and east of the South Houndé Project.

The project hosts the Bondi Deposit that lies fully within the Djarkadougou Property (currently subject to a government re-issue process) 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 has potential to provide valuable feed in a regional development scenario centred on the South Houndé Project.

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.

Recent field mapping and reconnaissance work at the Bamako 2 Property has revealed the establishment of a large artisanal mining camp, which has opened a block of current workings measuring approximately 3km-long x 2km-wide. The workings have exposed numerous, subparallel gold-bearing quartz veins, extending for over 3km in strike length with gold-in-soil surveys return peak values of 13.6g/t Au. Drilling on the Property has returned a number of significant intercepts including 15m @ 6.17g/t Au from 9m in FRC384, 8m @ 18.4g/t Au from 42m in BAR004 and 18m @ 1.20g/t Au from 44m in BAR003.

### Activities Completed in Q4 2019

- The exploration permit for the Bamako 2 property (formerly Bamako) was re-issued by the government in October 2019, covering an initial 3-year period and renewable for a further two 3-year terms subject to certain conditions being met.
- A 2,000m RC reconnaissance drill program was completed on the Bamako 2 Property. The program targeted areas where historical drilling returned high-grade intersections, including 15m @ 6.17g/t Au, and also to test potential for economic mineralisation in a +3km-long quartz-vein system which was identified in field prospecting work.
- Drilling on the Bamako 2 Property returned a number of significant intercepts including 8m @ 18.4g/t Au from 42m in BAR004 and 18m @ 1.20g/t Au from 44m in BAR003 at the Mebar Prospect with over 50% of the 21-hole program returning significant intercepts.
- The Company continued to monitor and push the progress for the renewal and re-issue of the exploration permit for the Djarkadougou Property, and continued its dialogue with senior members of the government to expedite this process.

## Outlook

The Company will continue to monitor and provide supporting documentation for the re-issue of the exploration permit for the Djarkadougou Property and is taking all appropriate steps to expedite this process. The Company continues to engage and have dialogue with relevant government authorities and decision makers however timeframes for the permit re-issue resolution is indeterminate.

The Company will continue to conduct desktop work to support 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 2 Properties to follow-up the areas of significance identified in the Q2 2018 and Q4 2019 drill programs.

## **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.

### Activities Completed in Q4 2019

- 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.
- No fieldwork was undertaken in Q4 2019.

### Outlook

The Company anticipates it will continue to develop more high-quality drill targets on the Koumandara Project 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.

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

On April 30, 2019, Semafo announced it had completed the acquisition of Savary, Sarama's joint venture partner in the Karankasso Project.

On February 24, 2020, Semafo announced an updated inferred mineral resource estimate<sup>2</sup> of 12.74Mt @ 1.73g/t Au for 709,000 oz of contained gold of which Sarama's equity interest is 141,000 oz gold.

As at December 31, 2019, the Company held a 19.91% interest in the Karankasso JV and Semafo continues to be the operator.

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.

#### Activities Completed in Q4 2019

- Semafo undertook approximately 10,000m of RC drilling in regional target areas across the project. Targets were generated through previous soil geochemistry and geophysical programs.
- Significant intersections returned during the reporting period include: 14m @ 21.64g/t Au and 8m @ 1.31 g/t Au.
- Field work on the project was halted by Semafo in the latter part of the reporting period. Work is anticipated to resume in Q2 2020.
- Semafo completed a mineral resource update for Karankasso and incorporated the revised resource into their wider Bantou Project, quoting the Karankasso resource as “other”.

#### Outlook

Q1 2020 will see the continuation of data compilation and data integration with Semafo’s regional dataset. The focus for the project is anticipated to be on targets with the potential to add to the mineral resource base.

Following a security event on November 6, 2019, near Semafo’s Boungou mine approximately 600km east northeast of Sarama’s southern Houde Belt interests, Semafo suspended all exploration activities including at the Karankasso Project.

Semafo has indicated that it will recommence exploration activities in April, 2020 with first drilling to follow up the 14m @ 21.64g/t Au returned at the newly named Tiébi prospect.

Following Endeavour’s announcement of their intention to acquire Semafo and that the transaction will close in the second quarter of 2020, Sarama and Endeavour have commenced discussion on management of the Karankasso JV Project post closure.

Sarama’s ongoing investment in the project will be reviewed on a periodic basis and be subject to exploration and technical results.

## **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, to be paid in three tranches. 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.

In October 2019, the Company received the third and final payment tranche from Oklo, consisting of A\$300,000 in Oklo shares (calculated using a fixed Oklo share price of A\$0.379/share). This completes the transaction with Oklo and the Company has no further direct interest in the Kandiole Sud Exploration Property.

## SELECTED AUDITED 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 years ended December 31.

Please refer to Results of Operations for analysis of Operations for the year ended 31 December 2019 compared to the year ended 31 December 2018.

	2019 \$	2018 \$	2017 \$
Interest income - year	8,109	726	732
Net loss - year	4,447,569	2,900,663	1,785,855
Net loss per share for the year - basic and diluted (cents)	1.9	1.7	1.4
Total assets	4,280,138	2,630,173	2,487,906
Total liabilities	1,472,128	279,637	438,793

## RESULTS OF OPERATIONS

### Quarters ended December 31, 2019 and 2018

	Q4 2019 \$	Q4 2018 \$	Variance \$
<b>Income</b>			
Interest income	5,319	350	4,969
Other income	30,530	1,402	29,128
Fair value gain on warrants carried at fair value through profit or loss	-	12,629	(12,629)
	35,849	14,381	21,468
<b>Expenses</b>			
Accounting and audit	4,739	20,686	15,947
Business development	6	36,458	36,452
Directors fees	13,800	12,132	(1,668)
Insurance	23,029	19,478	(3,551)
Marketing and investor relations	44,716	19,081	(25,635)
Office and general	41,195	33,248	(7,947)
Professional fees	11,010	7,659	(3,351)
Salaries	158,931	151,330	(7,601)
Travel	23,219	17,101	(6,118)
Foreign exchange (gain)/loss	(49,730)	35,138	84,868
Total general and administration	270,915	352,311	81,396
Exploration expenditure as incurred	709,037	266,748	(442,289)
Depreciation	510	604	94
(Gain)/loss on sale of exploration permit	(69,593)	-	69,593
Fair value (gain)/loss on financial assets carried at fair value through profit or loss	(7,924)	24,564	32,488
<b>Net loss</b>	<b>867,096</b>	<b>629,846</b>	<b>(237,250)</b>

The Company reported a loss of \$867,096 (\$0.003 per share) for the quarter ended December 31, 2019, compared to a loss of \$629,846 (\$0.003 per share) for the quarter ended December 31, 2018 (negative variance \$237,250).

Exploration and related expenditure increased this quarter by \$442k compared to Q4 2018 due to the drilling program conducted at ThreeBee project plus vendor payments, permit taxes and renewal fees (refer analysis of exploration and evaluation expenditure on page 3). Other Income of \$31k was from the disposal of vehicles in Burkina Faso. Gain on sale of exploration permit was in relation to consideration of the third and final payment tranche from Oklo for the sale of the Kandiole Sud property in Mali. Accounting and audit costs were lower due to accruing the expense evenly across the year. There were no Business development activities in the current quarter. Marketing and investor relations were \$45k in Q4 2019 compared to \$19k in Q4 2018 (negative variance \$26k) relating to additional conferences, timing of expenditure and media promotional activities. Foreign exchange gain for the current quarter of \$50k compared to a Foreign exchange loss in the December 18 quarter of \$35k (positive variance \$85k) represented gains from cash held in Australian and Canadian dollars. Fair value gain held on financial assets carried in current quarter was \$8k compared to a loss of \$25k in the December 18 quarter (positive variance \$33k) represented the increase in value of the shares received from Oklo in October 2019 from the sale of the Kandiole Sud Property in Mali as discussed above.

**Year ended December 31, 2019 and 2018**

	YTD 2019 \$	YTD 2018 \$	Variance \$
<b>Income</b>			
Interest income	8,109	726	7,383
Other income	30,530	1,402	29,128
Fair value gain on warrants carried at fair value through profit or loss	-	155,750	(155,750)
	38,639	157,878	(119,239)
<b>Expenses</b>			
Accounting and audit	19,472	41,974	22,502
Business development	5,364	108,023	102,659
Directors fees	56,178	53,412	(2,766)
Insurance	43,206	35,630	(7,576)
Marketing and investor relations	86,315	44,313	(42,002)
Office and general	146,656	159,478	12,822
Professional fees	66,825	70,832	4,007
Salaries	659,894	672,191	12,297
Travel	67,037	67,588	551
Foreign exchange loss	9,300	33,794	24,494
Total general and administration	1,160,247	1,287,235	126,988
Exploration expenditure as incurred	2,288,653	1,773,424	(515,229)
Termination agreement - Barrick	1,000,000	-	(1,000,000)
Depreciation	2,057	2,654	597
Stock-based compensation	117,897	378,778	260,881
(Gain)/loss on sale of financial assets	(5,129)	136	5,265
(Gain)/Loss on sale of exploration permit	(69,593)	(524,880)	(455,287)
Fair value (gain)/loss on financial assets carried at fair value through profit or loss	(7,924)	141,194	149,118
<b>Net loss</b>	<b>4,447,569</b>	<b>2,900,663</b>	<b>(1,546,906)</b>

The Company reported a loss of \$4,447,569 (\$0.019 per share) for the year ended December 31, 2019, compared to a loss of \$2,900,663 (\$0.017 per share) in the year ended December 31, 2018 (negative variance \$1.5 million).

A trailing reimbursement of \$1.0 million payable to Barrick for the termination of the earn-in agreement relating to the South Houndé project has been recognised this year (negative variance \$1.0 million). Exploration expenditure was greater in the current year compared to the year ended December 31, 2018 (negative variance \$515k) due to drilling programs conducted at South Hounde, Koumandara and ThreeBee projects. Fair value loss/gain on warrants was nil in 2019 compared to gain of \$155k in 2018 (negative variance \$155k) due to there being no remaining warrants outstanding subject to revaluation. Other income was \$30k during the year due to the sale of motor vehicles in Burkina Faso (positive variance \$29k). Gain on sale of exploration permit for the year ended December 31, 2019 was \$69k compared to \$524k in 2018 (negative variance \$455k) due to the sale of the Company's Kandiole Sud Exploration Property, West Mali whereby consideration for the Tranche 1 and Tranche 2 was received from Oklo in 2018 and the Tranche 3 consideration in 2019. The shares in Oklo received in 2018 were revalued at market value as at December 31, 2018 resulting in a fair value loss on financial assets of \$141k, whereas the shares from tranche 3 received in 2019 were revalued at December 31, 2019 for a fair value gain of \$7k (positive variance 149k). The shares from Tranche 1 and 2 were all sold during 2019 for a net gain on sale of \$5k.

General and administration costs were lower by \$127k for the year ended December 31, 2019 compared with the corresponding period in 2018. Notable positive variances include Stock based compensation being lower when compared to the year ended December 31, 2018 (positive variance: \$261k) due to a lesser number of options granted this year at a lower fair market value. Other positive variances include Business development (positive variance \$102k) due to legal costs in the prior year relating to the acquisition of Dabokuy and divestment of Kandiole Sud properties. Accounting and audit (positive variance \$23k) were less this year compared to the prior year due to an under accrual in 2017 which was corrected in 2018. Marketing and investor relations (negative variance \$42k) were greater this year when compared to the same period last year due to additional conferences and investor briefings.

## 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, 2019	5,319	(867,096)	(0.3)	(0.3)
September 30, 2019	1,390	86,140	0.0	0.0
June 30, 2019	929	(3,059,761)	(1.3)	(1.3)
March 31, 2019	471	(606,852)	(0.3)	(0.3)
December 31, 2018	350	(629,844)	(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)

The primary driver for the variance in net profit and loss across multiple quarterly periods is due to the expensing of exploration expenditure programs 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-based 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, 2019 the Company had working capital surplus of \$1,090,527 (December 31, 2018: \$464,404 surplus). Working capital is defined as current assets less current liabilities.

### COMMON SHARE DATA (as at April 21, 2020)

Common shares outstanding	250,659,987
Options issued to directors, executive officers, and a consultant	17,020,000
Warrants issued to shareholders and agents	6,500,000
Common shares outstanding assuming exercise of all options and warrants	274,179,987

## 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;
25. Renewal and reissue of exploration permits
26. pandemic risks;
27. geopolitical and security risks

For a detailed explanation of each of these risks number 1 to 24, please refer to page 9 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).

In December 2019, a novel strain of coronavirus (“COVID-19”) emerged in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the outbreak, governmental authorities in Canada, Australia, Burkina Faso and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. The continued spread of COVID-19 nationally and globally could have an adverse impact on the Company’s business, operations and financial results, as well as a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company’s business, operations or financial results; however, the impact could be material.

## **OFF-BALANCE SHEET TRANSACTIONS**

During the period ended December 31, 2019, and up to the date of this report, the Company had no off-balance sheet transactions.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”), effective as of December 31, 2019. The Company’s significant accounting policies are described in note 2 of the Company’s consolidated financial statements for the years ended December 31, 2018 and 2017, and note 2 of the Company’s consolidated financial statements for the year ended December 31, 2019 and 2018.

## **CHANGES IN ACCOUNTING STANDARDS**

The accounting policies applied in the preparation of the Company’s consolidated financial statements for the year ended December 31, 2019 and 2018, are consistent with those applied and disclosed in the Company’s annual consolidated financial statements, except for the following:

### **Leases**

On January 1, 2019, the Company adopted IFRS 16 - Leases (“IFRS 16”) which superseded IAS 17 - Leases. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on balance sheet accounting model that is similar to the finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. The Company adopted IFRS 16 effective January 1, 2019, which did not have a material impact on the Company’s interim financial statements. There are no pronouncements issued by the IASB that are mandatorily applicable to the Company.

## 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 - 12.74Mt @ 1.73g/t Au for 709koz Au (effective date of December 31, 2019). The mineral resource estimate was disclosed on February 24, 2020 by Semafo Inc ("Semafo") and is presented in combination with the mineral resource estimate for the adjacent Bantou Property (owned 100% by Semafo). For further information regarding the mineral resource estimate please refer to the technical report titled "Bantou Project NI 43-101 Technical Report – Mineral Resource Estimate", dated April 3, 2020 and prepared by Patrik Perez, Claude Bisailon, Jordan Zampini, Francois Thibert and Richard Roy. Messers Perez, Bisailon and Zampini are employees of Met-Chem (DRA Americas Inc) and are independent of Sarama and Semafo. Messers Thibert and Roy are employees of Semafo Inc and are independent of Sarama only. The technical report is available under Semafo's profile on SEDAR at [www.sedar.com](http://www.sedar.com) Sarama has not independently verified Semafo's mineral resource estimate and takes no responsibility for its accuracy. Semafo 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.*
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.*
4. *Upon satisfaction of certain conditions precedent and completion of the Termination Agreement.*

## 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.