

# **Sarama Resources Ltd.**

*(An Exploration Stage Company)*

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three and nine months ended September 30, 2019**

**(Unaudited)**

*(Expressed in United States Dollars)*

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**DIRECTORS**

Andrew Dinning (Chairman and CEO)  
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Simon Jackson (Non-executive Director)  
David A. Groves (Non-executive Director)

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

The accompanying condensed interim consolidated financial statements and all other financial information included in this report are the responsibility of management. The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Financial statements include certain amounts based on estimates and judgments. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances to ensure that the condensed interim consolidated financial statements are presented fairly, in all material respects.

Management maintains appropriate systems of internal control, consistent with reasonable cost, to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee, which is comprised of three Directors, all of whom are non-management and independent, meets with management to review the condensed interim consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the condensed interim consolidated financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial reporting standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

***NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS***

Under National Instruments 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financials statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

(signed) "Andrew Dinning"  
Director, President and CEO  
November 28, 2019

(signed) "Lui Evangelista"  
CFO  
November 28, 2019

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

	Note	As at September 30, 2019 \$	As at December 31, 2018 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,120,572	398,960
Security deposits		23,699	24,661
Other receivables		23,550	36,982
Prepayments		7,775	7,775
Financial assets	10	-	228,633
<b>Total current assets</b>		<u>3,175,596</u>	<u>697,011</u>
<b>Non-current assets</b>			
Plant and equipment	3	57,971	73,860
Investment in associate	4	1,836,171	1,836,171
Royalty		23,131	23,131
<b>Total non-current assets</b>		<u>1,917,273</u>	<u>1,933,162</u>
<b>Total assets</b>		<u>5,092,869</u>	<u>2,630,173</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		443,224	232,607
<b>Total current liabilities</b>		<u>443,224</u>	<u>232,607</u>
<b>Non-current liabilities</b>			
Provisions		176,209	47,030
Termination Agreement - Barrick	5	1,000,000	-
<b>Total non-current liabilities</b>		<u>1,176,209</u>	<u>47,030</u>
<b>Total liabilities</b>		<u>1,619,433</u>	<u>279,637</u>
<b>EQUITY</b>			
Share capital	6(b)	50,162,722	45,835,363
Share based payments reserve		3,659,411	3,283,395
Foreign currency translation reserve		(295,067)	(295,067)
Deficit		(50,053,630)	(46,473,155)
<b>Total equity</b>		<u>3,473,436</u>	<u>2,350,536</u>
<b>Total liabilities and equity</b>		<u>5,092,869</u>	<u>2,630,173</u>

These financial statements are authorised for issue by the Board of Directors on November 28, 2019.

They are signed on the Company's behalf by:

(Signed) "*Andrew Dinning*" \_\_\_\_\_ Andrew Dinning, Director

(Signed) "*Simon Jackson*" \_\_\_\_\_ Simon Jackson, Director

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

**Sarama Resources Ltd**  
*An Exploration Stage Company*

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

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
<b>Income</b>					
Interest income		1,390	36	2,790	376
Foreign exchange gain		-	24,286	-	1,345
Fair value gain on warrants carried at fair value through profit or loss		-	63,159	-	143,121
Other income	10	-	-	5,128	524,880
<b>Total income</b>		<b>1,390</b>	<b>87,481</b>	<b>7,918</b>	<b>669,722</b>
<b>Expenses</b>					
Accounting and audit		4,689	-	14,733	21,288
Business development		-	55,308	5,359	71,565
Depreciation		510	348	1,547	2,050
Directors fees		13,658	13,505	42,378	41,279
Exploration expenditure as incurred	2(c),5	505,316	454,024	1,579,616	1,506,676
Termination agreement - Barrick	2(c),5	(1,000,000)	-	1,000,000	-
Foreign exchange loss		79,443	-	59,030	-
Insurance		2,554	1,257	20,177	16,152
Marketing and investor relations		14,307	5,224	41,599	25,232
Office and general		32,155	38,939	105,461	126,233
Professional fees		22,165	25,801	55,815	63,174
Salaries		158,546	169,495	500,963	520,861
Stock-based compensation	6(d)	58,949	183,978	117,897	378,778
Travel		22,958	20,870	43,818	50,487
Fair value loss on financial assets carried at fair value through profit -		-	-	-	116,630
Loss on sale of financial assets		-	34,441	-	136
<b>Total expenses</b>		<b>(84,750)</b>	<b>1,003,190</b>	<b>3,588,393</b>	<b>2,940,541</b>
<b>Profit / (Loss) before income tax</b>		<b>86,140</b>	<b>(915,709)</b>	<b>(3,580,475)</b>	<b>(2,270,819)</b>
Income tax benefit		-	-	-	-
<b>Profit / (Loss) for the period from continuing operations</b>		<b>86,140</b>	<b>(915,709)</b>	<b>(3,580,475)</b>	<b>(2,270,819)</b>
Exchange differences on translation of foreign operations		-	(613)	-	(1,152)
<b>Total comprehensive gain / (loss) for the period</b>		<b>86,140</b>	<b>(916,322)</b>	<b>(3,580,475)</b>	<b>(2,271,971)</b>
Basic and diluted profit / (loss) per share		cents	cents	cents	cents
- Continuing operations		(0.0)	(0.5)	(1.6)	(1.3)
Weighted average number of shares					
Basic and diluted		250,659,987	181,710,402	220,857,602	170,626,702

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

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

	Note	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
<b>Cash flows used in operating activities</b>					
Payments to suppliers and employees		(260,517)	(280,911)	(819,968)	(930,403)
Payments for exploration and evaluation		(377,874)	(640,493)	(965,859)	(2,514,106)
Fee received for earn in agreement		-	85,863	-	1,122,047
Interest received		1,390	36	2,790	376
<b>Net cash used in operating activities</b>	9	<b>(637,001)</b>	<b>(835,505)</b>	<b>(1,783,037)</b>	<b>(2,322,086)</b>
<b>Cash flows used in investing activities</b>					
Purchase of plant and equipment	3	(1,113)	(2,291)	(6,334)	(42,534)
Proceeds on sale of exploration property		-	-	-	148,980
Proceeds on sale of marketable securities		-	-	233,760	5,937
<b>Net cash used in investing activities</b>		<b>(1,113)</b>	<b>(2,291)</b>	<b>227,426</b>	<b>112,383</b>
<b>Cash flows from financing activities</b>					
Common shares and warrants issued for cash		-	-	4,356,269	3,144,844
Payment of share issue costs		(2,317)	-	(28,910)	(244,942)
<b>Net cash generated by financing activities</b>	6(b)	<b>(2,317)</b>	<b>-</b>	<b>4,327,359</b>	<b>2,899,902</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(640,431)</b>	<b>(837,796)</b>	<b>2,771,748</b>	<b>690,199</b>
Net foreign exchange differences		(83,781)	5,795	(50,136)	(11,233)
Cash and cash equivalents at beginning of the period		3,844,784	1,905,057	398,960	394,090
<b>Cash and cash equivalents at end of the period</b>		<b>3,120,572</b>	<b>1,073,056</b>	<b>3,120,572</b>	<b>1,073,056</b>

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

	Number of common shares	Share capital (note 5)	Share based payments reserve	Foreign currency translation reserve	Deficit	Total
		\$	\$	\$	\$	\$
<b>Balance at January 1, 2018</b>	<b>140,760,402</b>	<b>43,011,623</b>	<b>2,812,948</b>	<b>(202,966)</b>	<b>(43,572,492)</b>	<b>2,049,113</b>
Loss attributed to shareholders of the Company	-	-	-	-	(2,900,663)	(2,900,663)
Exchange differences on translation of foreign operations	-	-	-	(92,101)	-	(92,101)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(92,101)</b>	<b>(2,900,663)</b>	<b>(2,992,764)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Proceeds from share issue	40,750,000	3,144,844	-	-	-	3,144,844
Share issuance costs	-	(336,612)	-	-	-	(336,612)
Share-based payments (6(e))	-	-	91,669	-	-	91,669
Stock-based compensation expense (6(d))	-	-	378,778	-	-	378,778
Reduction in net smelter royalty obligations (6(b))	200,000	15,508	-	-	-	15,508
<b>Balance at December 31, 2018</b>	<b>181,710,402</b>	<b>45,835,363</b>	<b>3,283,395</b>	<b>(295,067)</b>	<b>(46,473,155)</b>	<b>2,350,536</b>
Loss attributed to shareholders of the Company	-	-	-	-	(3,580,475)	(3,580,475)
Exchange differences on translation of foreign operations	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,580,475)</b>	<b>(3,580,475)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Proceeds from share issue (6(b))	68,949,585	4,356,269	-	-	-	4,356,269
Share issuance costs	-	(28,910)	-	-	-	(28,910)
Share-based payments (6(e))	-	-	258,119	-	-	258,119
Stock-based compensation expense (6(d))	-	-	117,897	-	-	117,897
<b>Balance at September 30, 2019</b>	<b>250,659,987</b>	<b>50,162,722</b>	<b>3,659,411</b>	<b>(295,067)</b>	<b>(50,053,630)</b>	<b>3,473,436</b>

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



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

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## 1. NATURE OF OPERATIONS

Sarama Resources Ltd (the “**Company**”) was incorporated under the laws of the Province of British Columbia, Canada on April 8, 2010.

### *Statement of compliance*

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

The board of directors of the Company have approved these condensed interim consolidated financial statements on November 28, 2019.

### *Business Activities*

The consolidated entity, consisting of Sarama Resources Ltd. and its subsidiaries is in the exploration stage and its principal business activity is the sourcing and exploration of mineral properties. As at September 30, 2019, the Company is in the process of exploring its principal mineral properties and has not yet determined whether the properties contain gold reserves that are economically recoverable.

The unaudited condensed interim consolidated financial statements for the period ended September 30, 2019, comprise the accounts of Sarama Resources Ltd and its subsidiaries and the Company’s interest in equity accounted investments.

### *Basis of Presentation*

These condensed interim consolidated financial statements have been prepared under the historical cost convention except for financial assets and liabilities at fair value through profit or loss and in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and Interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”). These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim consolidated financial statements, including International Accounting Standard (“**IAS**”) 34, “*Interim Financial Reporting*”, and have been prepared following the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2018 except as described in Note 2.

The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS.

### *Going Concern*

For the period ended September 30, 2019, the consolidated entity recorded a net loss of \$3,580,475 and had a net cash outflow from operating and investing activities of \$1,555,611. As at September 30, 2019, the consolidated entity had available cash of \$3,120,572 and surplus of current assets over current liabilities of \$2,732,372.

The Directors have assessed the need to acquire additional funding to continue to operate as a going concern for the foreseeable future. The Directors believe such funding will be obtained and therefore consider it appropriate to prepare the financial report on a going concern basis, which assumes the realisation of the consolidated entity’s assets and the discharge of its liabilities in the normal course of business and at the amounts stated in the condensed interim consolidated financial statements.

Should additional funding be unable to be obtained, the Directors believe that the Company can remain a going concern by the further reduction of various operating expenditure. However, these circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) *Standards and Interpretations applicable to September 30, 2019*

In the period ended September 30, 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the IASB that are relevant to the Company and effective for the current annual reporting period. The adoption of the following standards effective January 1, 2019 had no impact on the Company's condensed interim consolidated financial statements.

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 Company has applied IFRS 16 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 January 2019 and has elected not to restate comparative information accordingly, the information presented for September 30, 2019 has not been restated. There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative years.

### b) *Basis of Consolidation*

The condensed interim consolidated financial statements incorporate the assets and liabilities of the Company as at September 30, 2019 and the results of all subsidiaries for the period then ended.

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

**Sarama Resources Ltd**  
*An Exploration Stage Company*

**Notes to the Condensed Consolidated Financial Statements (Unaudited)**  
*Expressed in United States Dollars unless otherwise stated*

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c) *Exploration and Evaluation Assets*

Mineral exploration and evaluation costs are expensed as incurred based upon each area of interest. Acquisition costs will normally be expensed but will be assessed on a case by case basis and if appropriate may be capitalised. These acquisition costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the tenement. Accumulated acquisition costs in relation to an abandoned tenement are written off in full against profit or loss in the year in which the decision to abandon the tenement is made. Where a decision has been made to proceed with development in respect of a particular area of interest, all future costs are recorded as a development asset.

**3. PLANT AND EQUIPMENT**

	<b>September 30, 2019</b>			
	<b>Plant and Equipment</b>	<b>Motor Vehicles</b>	<b>Office Equipment</b>	<b>Total</b>
	\$	\$	\$	\$
Opening net book value	28,962	1,035	43,863	73,860
Additions	6,334	-	-	6,334
Depreciation	(7,132)	(1,027)	(14,064)	(22,223)
<b>Closing net book value</b>	<b>28,164</b>	<b>8</b>	<b>29,799</b>	<b>57,971</b>
Cost	242,908	189,254	282,813	714,975
Accumulated Depreciation	(214,744)	(189,246)	(253,014)	(657,004)
<b>Closing net book value</b>	<b>28,164</b>	<b>8</b>	<b>29,799</b>	<b>57,971</b>
	<b>December 31, 2018</b>			
	<b>Plant and Equipment</b>	<b>Motor Vehicles</b>	<b>Office Equipment</b>	<b>Total</b>
	\$	\$	\$	\$
Opening net book value	56,346	9,379	95,021	160,746
Additions	25,526	-	21,451	46,977
Disposals	-	-	(2,363)	(2,363)
Depreciation	(52,910)	(8,344)	(70,246)	(131,500)
<b>Closing net book value</b>	<b>28,962</b>	<b>1,035</b>	<b>43,863</b>	<b>73,860</b>
Cost	236,574	189,254	282,813	708,641
Accumulated Depreciation	(207,612)	(188,219)	(238,950)	(634,781)
<b>Closing net book value</b>	<b>28,962</b>	<b>1,035</b>	<b>43,863</b>	<b>73,860</b>

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**Notes to the Condensed Consolidated Financial Statements (Unaudited)**  
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**4. INVESTMENT IN ASSOCIATE**

The Company has a 21.26% (2018: 24.80%) interest in Joint Venture BF1 Inc., a joint venture focussed on the exploration and evaluation of the Karankasso Project in Burkina Faso. The Company's interest is accounted for using the equity method in the condensed interim consolidated financial statements. Summarised financial information of the joint venture, based on IFRS financial statements, and reconciliation with the carrying amount of the investment in the condensed interim consolidated financial statements are set out below. The Company has not made any additional contributions during the nine month period ended September 30, 2019.

Summarised statement of financial position of Joint Venture BF1 Inc.:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$
Current assets	650,069	471,662
Non-current assets	14,390,769	12,460,980
Current liabilities	(380,031)	(392,115)
Non-current liabilities	(4,219,672)	(6,160,529)
Equity	<b>10,441,135</b>	<b>6,379,998</b>
Reconciliation to carrying amount of investment		
Company's share of equity	2,219,785	1,582,239
Plus additional contributions	1,365,851	1,365,851
	3,587,636	2,948,090
Notional premium on acquisition by JV	(1,751,465)	(1,111,919)
<b>Karankasso Project Joint Venture– at cost</b>	<b>1,836,171</b>	<b>1,836,171</b>

The notional premium is due to the joint venture recording a higher value of the equity contributed by the Company upon transfer to the joint venture.

**5. TERMINATION AGREEMENT – BARRICK**

On November 18, 2019, the Company announced that it had renegotiated certain terms of the definitive agreement (the "Agreement") with Barrick TZ Ltd. ("Barrick"), formerly Acacia Mining plc ("Acacia"), originally executed on May 14, 2019, that provided for the termination of the 2014 earn-in agreement between the two companies in respect of the South Houndé Project (or the "Project") in south-western Burkina Faso. The renegotiated terms resulted in an immediate return to 100% ownership of the Project and the reduction of the trailing reimbursement payment. The Company has agreed to waive certain closing conditions and, in return, Barrick, has agreed to amend and reduce the trailing reimbursement from \$2 million to \$1 million, which is now payable in 12 months from the date of this amendment.

At September 30, 2019, the Company has recorded the \$1m reduction in total trailing reimbursement as a credit in the Statement of Loss and Other Comprehensive Loss, with the obligation now represented as follows within the Statement of Financial Position;

Non-current liability : \$1,000,000

At June 30, 2019, subsequent to the initial execution of the Agreement on May 14, 2019, the Company determined that it was probable that the trailing reimbursement of \$2 million would be satisfied and therefore it was recognised as an expense in the Statement of Loss and Other Comprehensive Loss with the corresponding obligation represented as follows within the Statement of Financial Position;

Current liability: \$1,500,000

Non-current liability : \$500,000

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**Notes to the Condensed Consolidated Financial Statements (Unaudited)**  
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**6. SHARE CAPITAL**

*(a) Authorised Share Capital*

At September 30, 2019, the authorised share capital comprised an unlimited number of common shares without par value.

*(b) Issued Share Capital*

	<b>Capital Stock Number</b>	<b>\$</b>
<b>Balance, December 31, 2018</b>	181,710,402	45,835,363
Shares issued during the period ended September 30, 2019	68,949,585	4,327,359
<b>Balance September 30, 2019 (net of cost)</b>	<b>250,659,987</b>	<b>50,162,722</b>

On April 30, 2019, the Company announced that it had raised gross proceeds of C\$5,860,715 from a private placement offering of 68,949,585 common shares at a price of C\$0.085 per common share.

*(c) Company Stock Option Plan*

The Company has a stock option plan (the “**Plan**”) that provides for the issuance of up to 10% of the issued and outstanding shares of the Company. The board of directors is authorised to set the exercise price, expiry date, and vesting provisions for each grant, subject to the policies of the TSX Venture Exchange. The plan provides for a maximum grant period of ten years. Options can be exercised at any time prior to their expiry date.

Details are as follows:

<b>Grant Date</b>	<b>No.</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
January 5, 2017 (fully vested)	4,995,000	0.20	January 5, 2020
January 8, 2018 (fully vested)	7,390,000	0.11	January 8, 2021
January 18, 2019 (fully vested)	4,635,000	0.06	January 18, 2022
	<b>17,020,000</b>		

On January 18, 2019 the Company issued 4,635,000 options to directors, officers and employees of the company, exercisable at C\$0.06 and expire 3 years after issue.

No options were exercised in the nine month period ended September 30, 2019 (period ended September 30, 2018: 750,000).

1,075,000 options have expired in the nine month period ended September 30, 2019 (period ended September 30, 2018: 890,000).

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**Notes to the Condensed Consolidated Financial Statements (Unaudited)**  
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(d) *Stock-Based Compensation*

For the nine month period ended September 30, 2019, the expense incurred relating to stock-based compensation was \$117,897 (September 30, 2018: \$378,778).

For the nine month period ended September 30, 2019, the Company granted stock options to its directors, officers, employees and consultants and estimated the stock based compensation as follows:

	<b>January 18, 2019</b>
Total options granted	4,635,000
Exercise price	C\$0.06
Estimated fair value of compensation recognised	\$117,897
Balance to be recognised over remaining vesting period	\$nil
Estimated fair value per option	\$0.03

The fair value of the stock-based compensation recognised in the accounts has been estimated using the Black-Schöles Option-Pricing Model with the following assumptions:

	<b>January 18, 2019</b>
Risk-free interest rate	1.91%
Expected dividend yield	0%
Expected stock price volatility	105%
Expected option life in years	3 years

The share price volatility is based on historical data and reflects the assumption that historical volatility over a period similar to the life of the option is indicative of future trends, which may not necessarily be indicative of exercise patterns that may occur.

(e) *Warrants*

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

<b>Warrant issue</b>	<b>Total Warrants Issued</b>	<b>Exercise Price (C\$)</b>	<b>Estimated fair value of warrants</b>	<b>Estimated fair value per warrant</b>	<b>Expiry Date</b>
Acquisition Warrants issued December 12, 2016	2,000,000	\$0.24	167,196	\$0.084	December 12, 2019
Broker Warrants issued March 16, 2018	1,500,000	\$0.14	91,669	\$0.061	December 31, 2021
Acquisition Warrants issued May 23, 2019	2,500,000	\$0.10	137,162	\$0.074	May 23, 2024
Acquisition Warrants issued May 23, 2019	2,500,000	\$0.20	120,957	\$0.065	May 23, 2024
<b>Total</b>	<b>8,500,000</b>		<b>516,984</b>	<b>\$0.061</b>	

5,000,000 warrants were issued to Acacia on May 23, 2019 as part consideration of definitive agreement executed by the Company and Acacia on May 14, 2019, that provides for the termination of the 2014 earn-in agreement between the two companies in respect of the South Houndé Project. 2,500,000 warrants were issued at exercise price of C\$0.10 and 2,500,000 warrants were issued at exercise price of C\$0.20, and expire on May 23, 2024.

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3,615,040 warrants that were issued 17 March 2017, exercisable at a price of C\$0.35 each, expired 17 March 2019.

The fair value of broker and acquisition warrants are recognised within share based payments reserve, within the equity section of the financial statements, in accordance with IFRS 2.

The fair value of shareholder warrants are recognised as a financial liability in the financial statements in accordance with IAS 32.

(i) The fair value of the warrants recognised in the financial statements has been estimated using the Black-Schöles Option-Pricing Model at inception with the following assumptions:

Warrant issue	Risk – free interest rate	Expected dividend yield	Expected stock price volatility	Remaining warrant life
Acquisition Warrants issued December 12, 2016	0.74%	0%	105%	3 months
Broker Warrants issued March 16, 2018	0.73%	0%	105%	27 months
Acquisition Warrants issued May 23, 2019	1.55%	0%	105%	56 months

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

Fair value at December 31, 2018	\$ -
Fair value gain on warrants carried at fair value through profit or loss	-
Fair value at September 30, 2019	-

## 7. SEGMENT REPORTING

The Company consider the Board of Directors to be the chief decision maker.

The Company has one business segment, being the acquisition, exploration and potential development of mineral properties. The Company has operations in one geographic area, being Burkina Faso.

### As at and for the period ending September 30, 2019

	Burkina Faso \$	Other \$	Total \$
<b>Segment current assets</b>	48,378	3,127,218	3,175,596
<b>Segment non-current assets</b>			
Plant and equipment	53,874	4,097	57,971
Investment in Associate	1,836,171	-	1,836,171
Royalty	-	23,131	23,131
	<u>1,890,045</u>	<u>27,228</u>	<u>1,917,273</u>
<b>Segment total assets</b>	<b><u>1,938,423</u></b>	<b><u>3,154,446</u></b>	<b><u>5,092,869</u></b>
<b>Segment liabilities</b>	<b><u>332,248</u></b>	<b><u>1,287,185</u></b>	<b><u>1,619,433</u></b>

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**Segment Loss**

Loss for the period from continuing operations	<b>2,579,616</b>	<b>1,000,859</b>	<b>3,580,475</b>
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**As at and for the period ending September 30, 2018**

	<b>Burkina Faso</b>	<b>Other</b>	<b>Total</b>
	\$	\$	\$
<b>Segment current assets</b>	94,293	1,327,390	1,421,683
<b>Segment non-current assets</b>			
Plant and equipment	186,993	1,879	188,872
Investment in Associate	1,836,171	-	1,836,171
Royalty	-	23,131	23,131
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
<b>Segment total assets</b>	<b>2,117,457</b>	<b>1,352,400</b>	<b>3,469,857</b>
<b>Segment liabilities</b>	<hr style="width: 100%;"/> <b>135,685</b>	<hr style="width: 100%;"/> <b>262,842</b>	<hr style="width: 100%;"/> <b>398,527</b>
<b>Segment Loss</b>			
Loss for the period from continuing operations	<b>1,490,941</b>	<b>779,878</b>	<b>2,270,819</b>

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

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	Cents per share	Cents per share	Cents per share	Cents per share
Basic and diluted loss per share				
- Continuing operations	(0.0)	(0.5)	(1.6)	(1.3)
	\$	\$	\$	\$
Net profit/(loss) used in calculating basic/diluted profit/(loss) per share				
- Continuing operations	86,140	(915,709)	(3,580,475)	(2,270,819)
Weighted average number of shares on issue during the period used in the calculation of basic profit/(loss) per share	250,659,987	181,710,402	220,857,602	170,626,702

Diluted loss per share as at September 30, 2019 is the same as basic loss per share as it is unlikely that the warrants will be converted into common shares.

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

Reconciliation of loss after tax to net cash flows from operations

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
	\$	\$	\$	\$
Profit / (Loss) for the period	86,140	(915,709)	(3,580,475)	(2,270,819)
Adjustments to reconcile loss before tax to net cash flows:				
Depreciation	510	348	1,547	2,050
Non cash exploration expenditure	127,442	(100,607)	628,846	114,618
Termination agreement - Barrick	(1,000,000)	-	1,000,000	-
Stock-based compensation	58,948	183,978	117,897	378,778
Fair value gain on warrants	-	(63,159)	-	(143,121)
Other Income	-	-	-	(375,900)
Administration costs	32,435	-	52,855	-
Loss on sale of financial assets	-	-	(5,128)	6,073
Fair value loss on financial assets held for sale	-	34,441	-	116,630
Movements in salary benefits	(27,086)	-	36,995	-
Net exchange and translation differences (gain) / loss	79,442	(24,286)	59,030	(1,345)
Net cash outflows used in operating activities before change in working capital	(642,169)	(884,994)	(1,688,433)	(2,173,036)
Change in working capital	5,168	49,489	(94,604)	(149,050)
Net cash outflows used in operating activities	<b>(637,001)</b>	<b>(835,505)</b>	<b>(1,783,037)</b>	<b>(2,322,086)</b>

#### **10. SALE OF KANDIOLE SUD EXPLORATION PROPERTY**

On April 23, 2018, the Company announced that it had entered into a binding agreement for the sale of its non-core Kandiole Sud Exploration Property, West Mali to Oklo Resources Limited (“Oklo”, ASX:OKU) for consideration comprising cash and shares in Oklo for a total value of A\$1,000,000. On May 11, 2018, payment tranches 1 and 2 were received by the Company via the receipt of a cash payment of A\$200,000 and shares in Oklo of value A\$500,000 (calculated using a fixed Oklo share price of A\$0.379/share) respectively. This was recorded as Other Income of \$524,880.

The market value of the shareholding in Oklo at September 30, 2019 is nil (Dec 31, 2018: \$228,633) as the sale of shares were completed during the current year. This had previously been recorded as Financial Asset at fair value through profit or loss (Level 1) within the Statement of Financial Position.

On October 28, 2019, The Company announced receipt of the third and final payment tranche consisting of A\$300,000 in Oklo shares (calculated using a fixed Oklo share price of A\$0.379/share) which was contingent upon the successful registration of the Kandiole Sud Exploraton Permit (or its equivalent) in the name of Oklo or its nominee by the Ministry of Mines, Mali. This registration process has now been completed by the Ministry of Mines, Mali and Sarama has received the final payment tranche from Oklo to complete the sale transaction. The transaction will be recorded in the fourth quarter of 2019.

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

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

On November 18, 2019, the Company announced that it had renegotiated certain terms of the Agreement resulting in an immediate return to 100% ownership of the Project and the reduction of the trailing reimbursement payment. The Company has agreed to waive certain closing conditions and, in return, Barrick, formerly Acacia, had agreed to amend and reduce the total trailing reimbursement from \$2 million to \$1 million, which is now payable in 12 months from the date of this amendment. This is recorded as a non-current liability within the Statement of Financial Position.

In addition, other key commercial terms to this Agreement that are considered a contingent liability are that Sarama will grant Acacia, now Barrick, the right to commercial production-based payments consisting of:

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

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