

# **SARAMA RESOURCES LTD.**

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

**For the three months (third quarter) and nine months ended September 30, 2018**

**Dated: November 27, 2018**

**(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 condensed consolidated interim financial statements of Sarama Resources Ltd. (the "Company" or "Sarama") and its subsidiaries for the three months and nine months ended September 30, 2018.

The condensed consolidated interim financial statements for the three months and nine months ended September 30, 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 November 27, 2018.

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 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 Houndé greenstone belt in southern 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)
- Karankasso Project JV (0.7Moz Au inferred mineral resources<sup>2</sup>, 27% interest)
- ThreeBee Project (0.3Moz Au measured and indicated and 0.1Moz Au inferred mineral resource (historical)<sup>3</sup>, 100% interest)
- Koumandara Project

## CORPORATE

### Treasury

As at September 30, 2018, the Company had cash and cash equivalents of \$1,073,056 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, West Mali ("the Property") 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 November 27, 2018, the Property is yet to be registered in the name of Oklo or its nominee.

### Heads of Agreement executed to regain 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 regain a 100% interest in the Project. Commercial terms of the Agreement include short-term cash payments by Sarama totalling US\$2M, staged over a 12-month period, and further cash and royalty payments following commercial production.

## EXPLORATION AND EVALUATION EXPENDITURE

In 2017 the Company retrospectively applied a voluntary change in accounting policy related to exploration and evaluation expenditure in respect to each area of interest. The new accounting policy in respect to each area of interest is to expense exploration and evaluation expenditure to the profit or loss as incurred. The previous accounting policy in respect to each area of interest was to capitalise exploration and evaluation expenditure incurred and carry forward as an asset when costs were expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area had not yet reached a stage which permitted a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations were continuing. For further information please refer to Changes in Accounting Policies on Page 14.

The Company will continue to disclose exploration and evaluation expenditure on a cumulative basis. During the current period the Company incurred a net increase in expenditure of \$454,024. Gross exploration expenditure (excluding Earn-in Fee) in the September 2018 quarter was \$539,887 which was offset by funding received from the Company's earn-in partner, Acacia Mining plc, on the South Houndé Project of \$85,863.

The costs per active project area as at September 30, 2018 is as follows;

	Accumulated Expenditure incurred to  <b>31 December 2017</b>	Three months ended  <b>31 March 2018</b>	Three months ended  <b>30 June 2018</b>	Three months ended  <b>30 Sept 2018</b>	Accumulated Expenditure incurred to  <b>30 Sept 2018</b>
South Houndé					
<i>Total Expenditure</i>	28,595,268	405,284	648,093	85,874	29,734,519
<i>Earn-in Fee</i>	<u>(12,109,539)</u>	<u>(411,185)</u>	<u>(624,999)</u>	<u>(85,863)</u>	<u>(13,231,586)</u>
<i>Net Expenditure</i>	16,485,729	(5,901)	23,094	11	16,502,933
ThreeBee	3,456,589	239,745	578,206	298,081	4,572,621
Koumandara	54,033	41,324	154,046	149,912	399,315
Other – Burkina Faso **	1,313,258	-	(10,207)	6,020	1,309,071
Karankasso	1,702,325	-	-	-	1,702,325
Mali					
<i>Total Expenditure</i>	680,932	20,067	12,278	-	713,277
<i>Disposal</i>	-	-	<u>(713,277)</u>	-	<u>(713,277)</u>
<i>Net Expenditure</i>	680,932	20,067	(700,999)	-	-
<b>Total</b>	<b>23,692,866</b>	<b>295,235</b>	<b>44,140</b>	<b>454,024</b>	<b>24,486,265</b>

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

For the quarter ended September 30, 2018, the Company incurred gross exploration expenditures of \$0.5 million mainly on the South Houndé, ThreeBee and Koumandara Projects. Expenditure on South Houndé of \$0.1 million related mainly to update of the mineral resource for target generation purposes as field work was largely

halted due to the rainy season. Expenditure incurred at the ThreeBee Project of \$0.3 million related to the drilling/assaying, general prospecting data compilation activities and permit fees (\$0.2 million), plus allocation of administration, camp and technical support of \$0.1 million. Expenditure incurred at Koumandara of \$0.2 million related to surface prospecting and soil geochemistry programs as well as data compilation and permit fees (\$0.1 million) plus allocation of administration, camp and technical support of \$0.1 million

## PROPERTY INFORMATION, RECENTLY COMPLETED ACTIVITIES AND OUTLOOK

### Burkina Faso

As at September 30, 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 Houndé Belt, which hosts Semafo Inc.'s Mana Gold Mine, Roxgold Inc.'s Yaramoko Gold Mine and Endeavour Mining Corp's Houndé Gold Mine.

On November 27, 2014, the Company signed an earn-in agreement ("**South Houndé Agreement**") with Acacia. Under the terms of the agreement, Acacia was required to sole-fund project exploration and related expenditures of \$7 million for the initial 2 years of the earn-in period in order to attain a 50% equity interest in the project. Acacia has the option to sole-fund a further \$7 million exploration and related expenditures through years 3 and 4 of the earn-in period to attain an additional 20% equity interest in the project. If earn-in milestones are achieved within the required time-frames, Acacia then has the right to acquire an additional 5% interest by declaring a minimum mineral reserve of 1.6 million ounces of gold for the project. As at December 31, 2016, Acacia has achieved the minimum required expenditure of \$7 million and met all conditions required to attain a 50% equity interest in the project and Acacia elected to take over management of the project from January 1, 2017.

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 largely halted field work during Q3 2018 with the onset of seasonal rains.
- Desktop work conducted by Acacia continued to focus on the fine-tuning of geological and structural interpretations of drilling in the area of the mineral resource. This work will form the foundation of a mineral resource update being undertaken by SRK Consulting (UK) Limited.

## Outlook

Acacia has largely halted field work on the South Houndé Project while the mineral resource update is progressed and reviewed for target generation purposes.

As per the terms of the South Houndé Agreement, Acacia is required to diligently pursue advancement of the project and in order to maintain its ability to earn-in to the project, sole fund exploration for a minimum of USD 3.5 million (in 2018).

Work planned for Q4 2018 will focus on general prospecting in regional areas and finalisation of an updated mineral resource.

## **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.

### 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.
- The Company released the results of a 1,500m AC and 2,200m RC drilling program at the Djarkadougou Property. The programs focussed on exploration of strike extensions to the Bondi Deposit, following up on encouraging AC results from the Zanawa Prospect and testing new regional targets.

Drilling at the Zanawa Prospect intersected gold mineralisation of significance that is interpreted to be proximal to the contact zone of an intrusive unit that cuts a regionally extensive band of mafic volcanic rocks. While the limited data density precludes detailed geological interpretation, the mineralisation can be traced in several drill fences over a strike distance of over 1km and remains open in all directions. Highlighted intersections from the recent drilling include:

- **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;
- **5m @ 4.54g/t Au** from 15m in DJA0141; and
- **15m @ 0.74g/t Au** from 7m and 11m @ 0.98g/t Au from 27m in DJA0159.

Drilling at the SE Splay Prospect investigated the potential for depth and strike extensions to the mineralisation which trends in a south-easterly direction from the main Bondi Deposit. The structurally-controlled mineralised lode is interpreted to cut through a mafic volcanic host with evidence of mineralisation also being associated with a local granitoid dyke. Highlighted intersections from the recent drilling include:

- **3m @ 4.71g/t Au** from 51m and **3m @ 19.86g/t Au (EOH)** from 69m in DJR0013;
- **7m @ 2.43g/t Au** from 62m in DJR0015; and
- **6m @ 3.46g/t Au** from 44m in DJR0016.

A small amount of drilling successfully identified a southern extension to the Bondi Deposit. Mineralisation is associated with a volcano sediment – mafic volcanic contact zone which is proximal to a north-south striking fault. Highlights from the recent drilling include:

- **13m @ 1.50g/t Au** from 86m in DJR0004; and
- **6m @ 1.93g/t Au** from 134m in DJR0006.

### 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 completed the transaction to acquire a 100% interest in the Dabokuy Property from Semafo Inc (acquisition announced February 2, 2018).
- 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 Q4 2018 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 September 30, 2018, the Company held an approximate 27% 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 Q3 2018 on the project was limited to desktop activities including compilation of drilling and general prospecting data.
- Scout metallurgical testwork was commissioned on mineralisation intersected by drilling on the Serakoro 1 Property. This mineralisation is outside the existing mineral resource for the Karankasso Project.

#### Outlook

Q4 2018 will see the continuation of general prospecting and exploration drilling, expected to be focussed on Serakoro 1 Property.

Diamond core drilling is planned for several areas in the mineral resource to provide samples for metallurgical testwork. 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 next year.

## SELECTED UNAUDITED QUARTERLY FINANCIAL INFORMATION

The following information has been extracted from the Company's condensed consolidated interim financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), for each of the quarters ended September 30.

Please refer to Results of Operations for analysis of Operations for the three months ended 30 September 2018 compared to the three months ended 30 September 2017.

Please refer to Change in Accounting Policy with respect to Exploration and Evaluation Expenditure on Page 14

	2018 \$	2017 \$ Restated	2016 \$ Restated
Interest income - quarter	36	311	372
Net profit/(loss) for the quarter	(915,709)	(499,420)	(2,313,812)
Net profit/(loss) per share for the quarter - basic and diluted (cents)	(0.5)	(0.4)	(2.2)
Total assets	3,469,858	3,462,425	2,971,484
Total liabilities	398,527	958,881	3,489,592

## RESULTS OF OPERATIONS

### Quarters ended September 30, 2018 and 2017

	Q3 2018 \$	Q3 2017 \$ Restated	Variance \$
<b>Income</b>			
Interest income	36	311	(275)
Other income		-	-
Fair value gain on warrants carried at fair value through profit or loss	63,159	133,079	(69,920)
	63,195	133,390	(70,195)
<b>Expenses</b>			
Accounting and audit	-	331	331
Corporate development	55,308	8,048	(47,260)
Directors fees	13,505	15,439	1,934
Insurance	1,257	-	(1,257)
Marketing and investor relations	5,224	19,453	14,229
Office and general	38,939	55,168	16,229
Professional fees	25,801	19,852	(5,949)
Salaries	169,495	173,700	4,205
Travel	20,870	32,572	11,702
Foreign exchange (gain)/loss	(24,286)	(20,827)	3,459
Total general and administration	306,113	303,736	(2,377)
Exploration expenditure as incurred	454,024	182,729	(271,295)
Depreciation	348	2,127	1,779
Stock-based compensation	183,978	144,218	(39,760)
Fair value loss on financial assets carried at fair value through profit or loss	34,441	-	(34,441)
<b>Net profit/(loss)</b>	<b>915,709</b>	<b>499,420</b>	<b>(416,289)</b>

Please refer to Change in Accounting Policy with respect to Exploration and Evaluation Expenditure on Page 14

The Company reported a loss of \$915,709 (\$0.005 per share) for the quarter ended September 30, 2018, compared to a loss of \$499,420 (\$0.004 per share) for the quarter ended September 30, 2017 (Negative variance \$416,289).

Exploration expenditure increased by \$271,295 compared to the September 2017 quarter due to increased activity at the ThreeBee and Koumandara Projects this year. Fair value gain on warrants was \$63,159 in September 2018 compared to a gain of \$133,079 in the September 2017 quarter (negative variance \$69,920) due to a smaller movement in the decrease of the Company's share price and 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 September 30, 2018 resulting in a loss of \$34,441. Corporate Development expenditure for September 2018 quarter was \$55,308 compared to \$8,048 in September 2017 quarter (negative variance \$47,260) due to year to date transfer from professional fees for Legal costs relating to the acquisition of Dabokuy and divestment of Kandiole Sud properties .

**Nine Month Period ended September 30, 2018 and 2017**

	YTD 2018 \$	YTD 2017 \$ Restated	Variance \$
<b>Income</b>			
Interest income	376	723	(347)
Other income	524,880	-	524,880
Fair value gain on warrants carried at fair value through profit or loss	143,121	736,556	(593,435)
	668,377	737,279	(68,902)
<b>Expenses</b>			
Accounting and audit	21,288	22,279	991
Corporate development	71,565	33,429	(38,136)
Directors fees	41,279	42,613	1,334
Insurance	16,152	10,621	(5,531)
Marketing and investor relations	25,232	52,816	27,584
Office and general	126,233	137,366	11,133
Professional fees	63,174	58,513	(4,661)
Salaries	520,861	531,583	10,722
Travel	50,487	74,758	24,271
Stock-based compensation	378,778	266,246	(112,532)
Foreign exchange (gain)/loss	(1,345)	(46,848)	(45,503)
Total general and administration	1,313,704	1,183,376	(130,328)
Exploration expenditure as incurred	1,506,676	800,168	(706,508)
Depreciation	2,050	7,237	5,187
Fair value loss on financial assets carried at fair value through profit or loss	116,630	-	(116,630)
Loss on sale of financial assets	136	-	(136)
<b>Net loss</b>	<b>2,270,819</b>	<b>1,253,502</b>	<b>(1,017,317)</b>

The Company reported a loss of \$2,270,819 (\$0.013 per share) for the nine month period ended September 30, 2018, compared to a loss of \$1,253,502 (\$0.0097 per share) in the nine month period ended September 30, 2017.

Exploration expenditure increased by \$706,508 compared to the nine month period to September 2017 due to increased activity at the ThreeBee and Koumandara Projects this year. Fair value gain on warrants was \$143,121 in the nine months to September 2018 compared to a gain of \$736,556 in the nine months to September 2017 (negative variance \$593,435) due to a smaller movement in the decrease of the Company's share price and a lesser number of outstanding warrants in the current year compared 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 September 30, 2018 resulting in a loss of \$116,630. 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 higher by \$130,328 for the period ended September 30, 2018 compared with the corresponding period in 2017. Notable negative variances include Stock-based compensation (negative variance (\$112,532) due to increased number of options granted in 2018 compared to 2017. Corporate development expenses (negative variance \$38,136) were higher this year compared to prior year due to legal costs related to acquisition of Dabokuy and divestment of Kandiole Sud properties. Notable positive variances include a decrease in Marketing and investor relations expenses (positive variance \$27,584) and travel (positive variance \$24,271) due to timing of payments and decreased frequency of travel.

## SUMMARISED UNAUDITED QUARTERLY RESULTS

Summarised unaudited quarterly results for the past eight quarters are:

Quarter ended	Interest income (\$)	Net profit/(loss) for the period (\$) Restated	Basic earnings/(loss) per share (cents)	Diluted earnings/(loss) per share (cents)
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 30, 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)
December 31, 2016	163	122,330	0.1	0.1

Please refer to Change in Accounting Policy with respect to Exploration and Evaluation Expenditure on Page 14

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 September 30, 2018 the Company had working capital surplus of \$1,023,156 (December 31, 2017: surplus \$29,065). 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 \$1,035,785 (December 31, 2017: \$184,815).

## COMMON SHARE DATA (as at November 27, 2018)

Common shares outstanding	181,710,402
Options issued to directors, executive officers, employees and a consultant	13,460,000
Warrants issued to shareholders and agents	17,616,564
Common shares outstanding assuming exercise of all options and warrants	212,786,966

## 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 September 30, 2018, and up to the date of this report, the Company had no off-balance sheet transactions.

## CHANGES IN ACCOUNTING POLICIES

In 2017 the Company adopted a voluntary change in accounting policy as detailed below:

### Exploration and Evaluation Accounting Policy

The financial report has been prepared on the basis of a retrospectively applied voluntary change in accounting policy, adopted in 2017, related to exploration and evaluation expenditure in respect of each area of interest.

The new accounting policy in respect of each area of interest is to expense exploration and evaluation expenditure to the profit or loss as incurred.

The previous accounting policy in respect of each area of interest was to capitalise exploration and evaluation expenditure incurred and carry forward as an asset when costs were expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area had not yet reached a stage which permitted a reasonable assessment of the existence or otherwise of economically recoverable reserves and active operations were continuing.

### Impact on Financial Statements

As a result of the change in the accounting policy for exploration and evaluation expenditure in relation to each area of interest, prior period financial statements had to be restated. In order to present comparable financial statements in the three and six month period ended June 30, 2018, the amounts disclosed in the statement of loss for the three and six month period ended June 30, 2017 reporting period are after the change in accounting policy for exploration and evaluation expenditure.

## 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). The effective date of the Company's inferred mineral resource estimate is February 4, 2016. For further information regarding the mineral resource estimate please refer to the technical report titled "NI 43-101 Independent Technical Report South Houndé Project Update, Bougouriba and Ioba Provinces, Burkina Faso", dated March 31, 2016. The technical report is available under Sarama Resources Ltd.'s profile on SEDAR at [www.sedar.com](http://www.sedar.com).*
2. *Karankasso Project - 9.2 Mt @ 2.3 g/t Au (at a 0.5 g/t Au cut-off). The 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.