

Sama Resources Inc.

Interim Condensed Consolidated Financial Statements
For the three-month periods ended March 31, 2020 and 2019
(in Canadian dollars)

Sama Resources Inc.

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTICE TO READER	3
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated statements of financial position	4
Consolidated statements of loss of comprehensive loss	5
Consolidated statements of changes in shareholder's equity	6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8 – 25

Notice to Reader

The accompanying unaudited interim condensed consolidated financial statements of Sama Resources Inc. (the "Company") for the three-month periods ended on March 31, 2020 and 2019 have been prepared by the management and are its responsibility. These unaudited interim condensed consolidated financial statements, together with the accompanying notes, have been reviewed and approved by the members of the Company's Board of Directors. These unaudited interim condensed consolidated financial statements have not been reviewed by the Company's auditors.

Sama Resources Inc.

Interim Condensed Consolidated Statements of Financial Position

As at March 31, 2020 and December 31, 2019

(Unaudited - in Canadian dollars)

	Notes	March 31, 2020 \$	December 31, 2019 \$
Assets			
Current assets			
Cash and cash equivalents		3,844,609	5,203,928
Trade and other amounts receivable		4,578	2,653
Sales taxes receivable		150,901	68,050
Due from a related company		6,708	4,605
Prepaid expenses and deposits		124,309	98,883
Bridge loan, 10%, reimbursable in June 2020	4	705,945	742,055
Convertible debenture	5	1,259,583	1,214,131
Asset held for sale	8	-	5,046,400
Derivative financial instrument	8	-	160,000
		<u>6,096,633</u>	<u>12,540,705</u>
Non-current assets			
Deposit on property, plant and equipment		-	447,414
Deposit on exploration and evaluation assets		-	2,496
Property, plant and equipment	6	1,471,109	1,049,933
Warrants	7	46,557	-
Investment in associate	7	7,671,928	12,434,095
Exploration and evaluation assets	9	30,936,074	29,941,480
		<u>40,125,668</u>	<u>48,921,818</u>
		<u>46,222,301</u>	<u>56,416,123</u>
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		<u>719,378</u>	<u>728,862</u>
Non-current liabilities			
Deferred tax liability		<u>3,260,364</u>	<u>3,260,364</u>
		<u>3,979,742</u>	<u>5,760,078</u>
Shareholders' equity			
Share capital	10	49,179,596	49,159,413
Contributed surplus	11	5,688,755	5,553,417
Retained earnings (deficit)		<u>(12,625,792)</u>	<u>(2,285,933)</u>
Total equity		<u>42,242,559</u>	<u>52,426,897</u>
Total liabilities and equity		<u>46,222,301</u>	<u>56,416,123</u>
Nature of operations and going concern	1		
Subsequent event	16		

On behalf of the Board of Directors,

Signed: "Benoit La Salle" Director

Signed: "Marc-Antoine Audet" Director

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Sama Resources Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

For the three-month periods ended on March 31, 2020 and 2019

(Unaudited - in Canadian dollars)

	Notes	March 31, 2020 \$	March 31, 2019 \$
Revenue		-	10,428
Direct costs		-	(9,103)
Gross profit		-	1,325
Operating expenses			
Consulting fees		106,200	111,450
Salaries and benefits		37,841	32,478
Professional fees		69,657	50,196
Travel and representation		50,014	107,019
General and other expenses		57,158	77,556
Transfer agent and filing fees		5,709	20,774
Shareholder's information fees		4,390	4,740
Depreciation	6	6,066	5,834
Stock-based compensation	11	116,120	337,918
		<u>453,155</u>	<u>747,965</u>
Loss before other income (expenses)		(453,155)	(746,640)
Other income (expenses)			
Foreign exchange gain (loss)		10,634	(32,369)
Interest income		63,907	14,175
Share of loss of associate	7	(656,774)	(364,667)
Loss on dilution of associate	7	(160,938)	-
Loss on derivative financial instrument	8	(160,000)	-
Gain on fair value of a convertible debenture	5	85,765	-
Gain on fair value of warrants	7	46,557	-
Impairment	8, 9	(9,115,865)	-
		<u>(9,886,704)</u>	<u>(382,861)</u>
Net loss and comprehensive loss		<u>(10,339,859)</u>	<u>(1,129,501)</u>
Basic and diluted net loss per common share		<u>(0.048)</u>	<u>(0.006)</u>
Weighted average number of common shares outstanding		<u>216,415,586</u>	<u>190,837,299</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Sama Resources Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the three-month periods ended March 31, 2020 and 2019

(Unaudited - in Canadian dollars)

	Notes	Share capital numbers	Share capital \$	Contributed surplus \$	Retained earnings (deficit) \$	Total \$
Balance – January 1st, 2019		189,426,410	41,680,104	4,428,508	9,661,731	55,770,343
Exercise of warrants	10	1,075,000	166,625	(5,375)	-	161,250
Exercise of stock options	10, 11	740,000	287,684	(117,484)	-	170,200
Stock-based compensation	11	-	-	389,390	-	389,390
Net loss and comprehensive loss		-	-	-	(1,129,501)	(1,129,501)
Balance – March 31, 2019		<u>191,241,410</u>	<u>42,134,413</u>	<u>4,695,039</u>	<u>8,532,230</u>	<u>55,361,682</u>
Balance – January 1st, 2020		216,341,410	49,159,413	5,553,417	(2,285,933)	52,426,897
Exercise of stock options	10, 11	125,000	20,183	(9,558)	-	10,625
Stock-based compensation	11	-	-	144,896	-	144,896
Net loss and comprehensive loss		-	-	-	(10,339,859)	(10,339,859)
Balance – March 31, 2020		<u>216,466,410</u>	<u>49,179,596</u>	<u>5,688,755</u>	<u>(12,625,792)</u>	<u>42,242,559</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Sama Resources Inc.

Interim Condensed Consolidated Statements of Cash Flows

For the three-month periods ended on March 31, 2020 and 2019

(Unaudited - in Canadian dollars)

	Notes	March 31, 2020 \$	March 31, 2019 \$
Cash flows from			
Operating activities			
Net loss for the period		(10,339,859)	(1,129,501)
Items not affecting cash			
Depreciation	6	6,066	5,834
Stock-based compensation	11	116,120	337,918
Interest revenue on bridge loan and convertible debenture		(17,785)	-
Loss on derivative financial instrument	8	160,000	-
Gain on fair value of a convertible debenture	5	(85,765)	-
Gain on fair value of warrants	7	(46,557)	-
Share of loss of associate	7	656,774	364,667
Loss on dilution of associate	7	160,928	-
Impairment		9,115,865	-
		<u>(274,213)</u>	<u>(421,082)</u>
Change in non-cash working capital items			
Trade and other amounts receivable		92,283	16,452
Sales taxes receivable		(82,851)	(14,933)
Due from a related company		(2,103)	51,792
Prepaid expenses and deposits		(25,426)	(9,996)
Accounts payables and accrued liabilities		(73,293)	(14,584)
		<u>(91,390)</u>	<u>28,731</u>
		<u>(365,603)</u>	<u>(392,351)</u>
Investing activities			
Acquisition of property, plant and equipment	6	(50,042)	(213,971)
Investment in associate	7	125,000	-
Exploration and evaluation expenditures	9	(829,299)	(1,462,936)
		<u>(1,004,341)</u>	<u>(1,676,907)</u>
Financing activities			
Exercise of warrants	10	-	161,250
Exercise of stock options	10, 11	10,625	170,200
		<u>10,625</u>	<u>331,450</u>
Decrease in cash during the period		(1,359,319)	(1,737,808)
Cash and cash equivalents – Beginning of period		5,203,928	5,779,248
Cash and cash equivalents – End of period		3,844,609	4,041,440

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

1 Nature of operations and going concern

Sama Resources Inc. (“Sama” or the “Company”) is a Canadian-based mineral exploration and development business with activities in West Africa. The Company was incorporated on July 11, 2006 under the Business Corporations Act of British Columbia. On May 13, 2013, the Company continued its jurisdiction of incorporation from British Columbia into the federal jurisdiction of Canada under the Canada Business Corporations Act. The Company’s head office is located at #132 – 1320 Graham Blvd., Mont-Royal, Quebec, Canada, H3P 3C8. The Company’s common shares are listed on the TSX Venture Exchange (the “TSX-V”) under the trading symbol “SME.V”. Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete exploration and development programs and, ultimately, upon future profitable production.

These interim condensed consolidated financial statements were authorized for publication by the Board of Directors on May 29, 2020.

The Company’s exploration and evaluation assets are located in the Republic of Ivory Coast (“Ivory Coast”) West Africa, and hence are subject to the risks normally associated with foreign investment including unanticipated changes in taxes and royalties, renegotiation of contracts, foreign currency fluctuations and political uncertainties.

Going concern uncertainty

These interim condensed consolidated financial statements have been prepared on a going concern basis, which presumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business for the foreseeable future. The use of these principles may not be appropriate. The Company is in its early stages, and as is common with similar companies, it raises financing for its exploration and evaluation activities. As at March 31, 2020, the Company has an accumulated deficit \$12,625,792 (December 31, 2019 – \$2,285,933) and a working capital of \$5,377,255 (December 31, 2019 – \$11,811,843), including cash and cash equivalents of \$3,844,609 (December 31, 2019 – \$5,203,928). To date, the Company has financed its cash requirements primarily by issuing common shares or units. The Company’s ability to continue as a going concern is subject to its ability to raise additional financing or reduce its expenditure levels. The Company’s discretionary activities do have some scope for flexibility in terms of the amount and timing of expenditures, and to a certain extent, expenditures may be adjusted accordingly.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Management has assessed its liquidity needs and estimates that these funds will not be sufficient to meet the Company’s obligations, budgeted expenditures and commitments through March 31, 2021. Based on the extent of the Company’s current stage and anticipated plan, the Company will need to raise additional financing within the next 9-12 month, and those facts cast significant doubt on the Company’s ability to continue as a going concern. While Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding will be available to the Company or that they will be available on terms acceptable to the Company.

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

These interim condensed consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

2 Changes in accounting policies

Accounting standards and interpretations issued and in effect

IAS 1, Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors

On January 1, 2020, the Company adopted IAS 1, Presentation of Financial Statements ("IAS 1") and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") which refines the definition of materiality and clarifies its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The adoption of IAS 1 and IAS 8 had no impact on the consolidated financial statements.

IFRS 3, Business Combinations ("IFRS 3")

On January 1, 2020, the Company adopted IFRS 3, Business Combinations, which clarifies the definition of a business. The amendments help entities determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amendments also introduce an optional "concentration test" that can lead to a conclusion that the acquisition is not a business combination.

The adoption of IFRS 3 had no impact on the consolidated financial statements.

3 Basis of presentation and significant accounting policies

Basis of presentation

The Company's interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim statements, including IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The accounting policies followed in these interim condensed consolidated financial statements are consistent with those applied in the Company's annual consolidated financial statements for the year ended December 31, 2019, except for new accounting standards adopted in 2020 (Note 2). These interim condensed consolidated

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019 which have been prepared according to IFRS as issued by the IASB.

Basis of consolidation

In addition to the Company, the interim condensed consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are deconsolidated from the date that control by the Company ceases. Any retained interest is measured to its fair value with the change in carrying amount recognized in income or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or joint venture.

The Company's subsidiaries, all of which are wholly-owned, are as follows:

	Jurisdiction of incorporation
Sama Nickel Corporation ("Sama Nickel")	Canada
Sama Nickel Côte d'Ivoire SARL ("Sama CI")	Ivory Coast
Société Minière du Tonkpi SARL ("SMT")	Ivory Coast
Sama Resources International Inc. ("SRI")	Caymans Island

4 Bridge loan

The Company has a bridge loan of \$700,000 with SRG Mining Inc. ("SRG"), an associate. The loan bears interest at 10% per annum and is repayable in June 2020. As at March 31, 2020, \$705,945 remains unpaid including accrued interest revenue of \$5,945.

5 Convertible debenture

The Company entered into an unsecured Convertible Debt Agreement with SRG whereby the Company makes available to SRG a credit facility of up to US\$5,000,000 for a twelve-month period. The convertible debenture bears interest at an annual rate of 10% payable at maturity either in cash or common shares of SRG, at the discretion of SRG. The number and terms of the common shares issued to pay such accrued interest will be based upon a price per common share that is not less than the market price of the common shares at the time the accrued interest becomes payable. The principal amount of the convertible debenture is convertible into common shares of SRG at a conversion price of \$0.91, at the election of the Company. Upon a conversion, the US\$ principal amount will be converted in Canadian dollars based on the prevailing spot rate.

On August 7, 2019, the Company advanced an amount of US\$1,000,000 (\$1,330,400) to SRG as part of this Convertible Debt Agreement. For accounting purposes, the convertible debenture investment is recognized at Fair value through Profit or Loss ("FVTPL"). At inception, the convertible debenture was recorded at the equivalent of cash consideration paid. As at December 31, 2019, the fair value of the convertible debenture decreased to \$1,161,978 resulting in a loss on fair value of \$168,422, recorded in the consolidated statement of

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

loss and comprehensive loss, for the period from August 7, 2019 to December 31, 2019. In addition, accrued interest of US\$40,068 (\$52,153) were recognized.

As at March 31, 2020, the fair value of the convertible debenture increased to \$1,247,743 resulting in a gain on fair value of \$85,765 recorded in the interim condensed consolidated statement of loss and comprehensive loss. In addition, accrued interest of US\$25,000 (\$35,636) were recognized and a payment of interest of US\$56,712 (\$75,949) was received.

6 Property, plant and equipment

	Exploration equipment \$	Buildings and lease improvements \$	Other equipment \$	Total \$
Cost				
Balance – January 1st, 2019	1,600,506	86,799	94,169	1,781,474
Acquisitions	296,434	40,627	4,073	326,323
Disposals	(92,363)	-	-	(92,363)
Balance – December 31, 2019	1,804,577	127,426	98,242	2,015,434
Acquisitions	497,456	-	-	497,456
Balance – March 31, 2020	2,302,033	127,426	98,242	2,527,701
Accumulated amortization				
Balance – January 1st, 2019	771,837	35,531	29,657	837,025
Depreciation	197,757	15,507	22,386	235,650
Disposals	(92,363)	-	-	(92,363)
Balance – December 31, 2019	877,231	51,038	52,043	980,312
Depreciation	66,380	4,258	5,642	76,280
Balance – March 31, 2020	943,611	55,296	57,685	1,471,109
Carrying amount				
Balance – December 31, 2019	927,346	76,388	46,199	1,049,933
Balance – March 31, 2020	1,358,422	72,130	40,557	1,471,109

During the three-month period ended March 31, 2020, a depreciation expense of \$6,066 (December 31, 2019 – \$24,085) was recorded in the interim condensed consolidated statement of loss and comprehensive loss and \$70,214 (December 31, 2019 – \$211,565) was recorded under exploration and evaluation (“E&E”) assets.

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

7 Investment in associate

The Company has an investment in associate giving it significant influence over SRG.

On June 14, 2019, the Company has entered into a share purchase agreement to sell 8,300,000 common shares of SRG to a third party for an aggregate purchase price of US\$5,000,000. The Company has classified this portion of its investment in an associate as an asset held for sale (Note 8). Management determined that significant influence remained unchanged and therefore continued to apply the equity method of accounting for the retained interest.

During the year ended December 31, 2019, SRG issued a total of 1,125,000 common shares for total proceeds of \$562,500 following the exercise of warrants. The Company's ownership in SRG went from 23.56% to 23.19%. Therefore, the Company recorded a loss on dilution of \$179,774 on the deemed disposal of a portion of its ownership interest. In addition, the Company determined that impairment indicators led to the recognition of an impairment loss in respect to its net investment in an associate. An impairment loss of \$6,550,000 was recognized in the consolidated statement of loss and comprehensive loss.

On March 3, 2020, the Company acquired 250,000 units of SRG at a price of \$0.50 per unit for a total investment of \$125,000. Each unit comprises one common share of SRG and one non-transferable share purchase warrant. Each whole warrant entitles the holders to purchase, for a period of 36 months from the date of closing, one additional common share of SRG at an exercise price of \$1.00 per warrant. The fair value of the warrants of \$0.19 was determined using the Black & Scholes valuation model based on a share price of \$0.50, a risk-free interest rate of 0.99%, a volatility of 83.3% and an expected life of 3 years. An amount of \$46,557 was recorded as a warrant investment in the interim condensed consolidated statement of position as well as a gain on fair value of warrants in the interim condensed consolidated statement of loss and comprehensive loss.

In addition, during the three-month period ended March 31, 2020, SRG issued a total of 5,661,493 common shares for total proceeds of \$2,703,474.

Following these transactions, the Company's ownership in SRG went from 23.19% to 21.79%. Therefore, the Company recorded a loss on dilution of \$656,774 on the deemed disposal of a portion of its ownership interest, in the interim condensed consolidated statement of loss and comprehensive loss. In addition, the Company determined that impairment indicators led to the recognition of an impairment loss in respect to its net investment in associate. Therefore, an impairment loss of \$6,260,665 was recognized in the interim condensed consolidated statement of loss and comprehensive loss.

On March 31, 2020, the Company terminated the share purchase agreement for the sale of the remaining 6,640,000 common shares of SRG (Note 8) given the inability of the third party to fulfill the initial conditions of the agreement. This portion of investment in SRG previously classified as an asset held for sale was reclassified to investment in associate.

The Company's ownership in SRG as at March 31, 2020 is 30.51%.

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

The continuity of the Company's investment in associate is as follows:

	Mars 31, 2020 \$	December 31, 2019 \$
Balance – beginning of period	12,434,095	29,880,633
Portion classified as an asset held for sale (Note 8)	-	(9,869,979)
Impairment	(6,260,665)	(6,550,000)
Purchase of units	125,000	-
Share of loss and comprehensive loss	(656,774)	(846,785)
Loss on dilution	(160,928)	(179,774)
Reclassification from asset held for sale (Note 8)	2,191,200	-
Balance – end of period	<u>7,671,928</u>	<u>12,434,095</u>

The fair value of the investment in associate as at March 31, 2020 was \$7,671,928 (December 31, 2019 – \$12,434,095).

The following summarized financial information of SRG for the three-month period ended March 31, 2020 and for the year ended December 31, 2019, including fair value adjustments made at the time of recognition of the interest. In addition, considering that the E&E expenditures accounting policy of SRG is different from the Company, the financial information of SRG have been harmonized to the Company's accounting policies:

	Mars 31, 2020 \$	December 31, 2019 \$
Balance sheet		
Current assets	1,213,792	360,281
Non-current assets	19,611,763	25,552,301
Current liabilities	3,892,839	4,812,336
Non-current liabilities	75,505	96,250
Equity	13,217,394	11,156,941
Net loss and comprehensive loss		
Revenue	-	-
Net loss and comprehensive loss	764,293	3,831,545

8 Asset held for sale

On June 14, 2019, the Company has entered into a share purchase agreement to sell 8,300,000 common shares of SRG to a third party for an aggregate purchase price of US\$5,000,000. The sale shall occur in five tranches and is expected to fully close by December 15, 2019. The closing of each tranche is conditional on the full and complete closing of each proceeding tranche in accordance with the agreement. The settlement terms are considered to be a derivative financial instrument because the share price of SRG's common shares is variable, and the purchase price different from the consideration that would be otherwise obtained at each tranche. On initial classification as asset held for sale a derivative financial instrument liability of \$123,500 was recognized in the consolidated statement of financial position. In addition, the Company assessed the carrying amount and the

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

fair value less cost to sell and recognized an impairment of \$3,063,979 in the consolidated statement of loss and comprehensive loss.

On August 5, 2019, a first tranche was completed for an amount of US\$1,000,000 (\$1,321,600) representing a disposal of 1,660,000 common shares of SRG. As a result of this transaction, the Company recorded a reversal of impairment of \$149,400 and a loss on disposal of asset held for sale of \$189,000 in the consolidated statement of loss and comprehensive loss.

As at December 31, 2019, the Company recognized a gain on fair value of a derivative financial instrument of \$283,500 as well as an impairment of \$398,400 in the consolidated statement of loss and comprehensive loss.

On March 31, 2020, the Company terminated the share purchase agreement for the sale of the remaining 6,640,000 common shares of SRG given the inability of the third party to fulfill the initial conditions of the agreement. The Company reclassified as an investment in associate the recoverable amount of this investment which was determined to be \$2,191,200. Therefore, the Company recorded an impairment of \$2,855,200 as well as a loss on fair value of derivative financial instrument.

The continuity of the Company's asset held for sale is as follows:

	Mars 31, 2020 \$	December 31, 2019 \$
Balance – beginning of period	5,046,400	-
Initial recognition as an asset held for sale (Note 8)	-	9,869,979
Disposal	-	(1,510,600)
Impairment	(2,855,200)	(3,312,979)
Reclassification as an investment in associate (Note 8)	(2,191,200)	-
Balance – end of period	<u>-</u>	<u>5,046,400</u>
	Mars 31, 2020 \$	December 31, 2019 \$
Balance – beginning of period	160,000	-
Initial recognition	-	(123,500)
Gain (loss) on fair value	(160,000)	283,500
Balance – end of period	<u>-</u>	<u>160,000</u>

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

9 Exploration and evaluation assets

Samapleu property

On January 15, 2009 (“Effective Date”), Sama Nickel entered into a Syndicate Agreement (“SA”) with La Société pour le Développement Minier de la Côte d’Ivoire (“SODEMI”), a parastatal organization, whereby Sama Nickel has indicated a particular interest in the exploration of an area covered by Permit No. 123 (“PR123”), held by SODEMI, located in Ivory Coast. PR123 encompasses approximately 446 square kilometres.

Upon execution of the SA, Sama Nickel became responsible to finance exploration work programs on behalf of the SA during the exploration phase of the project through completion of a Bankable Feasibility Study (“BFS”). SODEMI will not contribute to work conducted under the SA.

On October 25, 2015, Sama Nickel and SODEMI extended certain terms of PR 123 resulting in an exploration license extension to June 25, 2017. On June 9, 2017, before the license extension expired, Sama Nickel and SODEMI filed a request for a Mining Permit (Permis d’Exploitation (PE)) for an area of 160 square kilometres within the Samapleu exploration license as well as a request for an Exploration Permit (Permis de Recherche (PR)) for the remaining area of the Samapleu PR123, located west of the PE.

In March 2018, following discussions with the government, SODEMI withdrew its application for a Mining Permit and applied for two (2) new exploration permits covering a total area of 318 square kilometers (Samapleu-East and Samapleu-West) to replace the PR123. According to a new regulation in Ivory Coast, classified forests must be removed from any new application. Therefore, the total surface areas covered by the two (2) new applications is smaller than the initial area covered by the PR123. No exploration and evaluation work was performed on the classified forest area. Therefore, no partial impairment was required.

On June 19, 2019, the two (2) new exploration permits, Samapleu East (PR838) and Samapleu West (PR839) which cover 318 square kilometers, were granted to SODEMI (Note 13). Both PRs expire on June 18, 2023, with possible renewal periods totaling up to 12 years. In accordance with both PRs, Sama Nickel agreed to complete an exploration program evaluated at F CFA 2,315,000,000 for PR838 (approximately \$5,502,864 as at March 31, 2020) and F CFA 760,000,000 for PR 839 (approximately \$1,806,556 as at March 31, 2020) before the term of the exploration permits.

Upon completion of the BFS, the Advisory Committee (“AC”), which consists of two Sama Nickel representatives and two SODEMI representatives, will conclude on the feasibility of the project. If the AC decides to proceed with the project, an Exploitation Entity (“EE”) will be established whereby future funding will be split between Sama Nickel and SODEMI at 66.7% and 33.3%, respectively. The EE will reimburse SODEMI for all costs associated with previous exploration work conducted until January 15, 2009 up to a maximum of F CFA 834,999,457 (approximately \$1,984,833 as at March 31, 2020) and will reimburse Sama Nickel for costs associated with exploration work conducted between the Effective Date and the approval of the BFS subject to the approval of the AC which represents a total amount of \$22,514,467 as at March 31, 2020.

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

On September 20, 2019, Sama Nickel and SODEMI signed an amendment to the SA under which the parties confirm the immediate and direct interest of Sama Nickel and SODEMI at 66.7% and 33.3% respectively in the two (2) new exploration permits and this notwithstanding any future request for an exploitation permit. The ownership of the EE shall be allocated as follows:

The ownership of the EE shall be allocated as follows:

Sama Nickel	60%
SODEMI	30%
Ivory Coast Government	10%
	<hr/>
	100%
	<hr/>

The Samapleu Property is subject to a 1% net smelter return royalty.

Zérégouiné property

Sama CI owns the exploration permit No. 300 (“PR300”) which covers 290 square kilometers of property in Ivory Coast and expires on December 18, 2021. In accordance with PR300, Sama CI agreed to complete an exploration program evaluated at F CFA 2,293,000,000 (\$5,450,569 as at March 31, 2020) before the term of the exploration permit.

The Zérégouiné Property is 100% owned by Sama CI and is adjacent to the Samapleu Property.

Grata property

Sama CI owns the exploration permit No. 604 (“PR604”) which covers 80 square kilometers of property in Ivory Coast and expires on December 8, 2022. In accordance with PR604, Sama CI agreed to complete an exploration program evaluated at F CFA 1,018,000,000 (\$2,419,834 as at March 31, 2020) before the term of the exploration permit.

The Grata Property is 100% owned by Sama CI and is located adjacent to the north-eastern boundary of the Samapleu Property.

Zoupleu property

SMT owns the exploration permit No. 837 (“PR837”) which covers 135 square kilometers of property in Ivory Coast and expires on June 18, 2023. In accordance with PR837, SMT agreed to complete an exploration program evaluated at F CFA 1,120,000,000 (approximately \$2,662,293 as at March 31, 2020) before the term of the exploration permit.

The Zoupleu Property is 100% owned by SMT and is located contiguous to the Samapleu Property.

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

The following table shows the E&E expenditures by property.

	December 31, 2018 \$	Activity \$	December 31, 2019 \$	Activity \$	March 31, 2020 \$
Samapleu property					
Acquisition costs and option payments	4,432,484	-	4,432,484	-	4,432,484
Drilling	5,309,586	265,769	5,575,355	85,909	5,661,264
Camp operation costs and other expenses	5,087,736	367,522	5,455,258	325,176	5,780,434
Geology and prospecting	2,584,500	55,151	2,639,651	36,032	2,675,683
Geophysics	1,381,196	227,492	1,608,688	186,482	1,795,170
Engineering study	616,724	329,294	946,018	189,794	1,795,170
Geochemistry	528,605	14,852	543,457	11,226	554,683
Metallurgical tests	236,726	7,863	244,589	-	244,589
Environmental study	129,101	-	129,101	5,639	134,740
Stock-based compensation	39,688	35,461	75,149	24,459	99,608
	20,346,346	1,303,404	21,649,750	864,717	22,514,467
Zérégouiné property					
Camp operation costs and other expenses	1,820,297	849,286	2,669,583	66,837	2,736,420
Drilling	748,058	1,269,142	2,017,200	8,383	2,025,583
Geology and prospecting	585,642	741,670	1,572,159	38,632	1,610,791
Geophysics	830,489	162,811	748,453	9,966	758,419
Geochemistry	8,674	31,882	40,556	-	40,556
Metallurgical tests	3,576	-	3,576	-	3,576
Environmental study	1,430	-	1,430	-	1,430
Stock-based compensation	122,155	120,691	242,846	4,317	247,163
	4,120,321	3,175,482	7,295,803	128,135	7,423,938
Grata property					
Camp operation costs and other expenses	164,777	318,393	483,509	830	484,339
Geology and prospecting	72,272	238,309	329,315	-	329,315
Geophysics	91,006	36,449	108,721	-	108,721
Geochemistry	-	7,215	46,792	-	46,792
Drilling	39,577	2,744	2,744	-	2,744
Environmental study	1,590	-	1,590	-	1,590
Stock-based compensation	6,304	16,023	22,327	-	22,327
	375,526	619,472	994,998	830	995,828
Zoupleu property					
Geology and prospecting	-	929	929	912	1,841
	-	929	929	912	1,841
Total E&E assets	24,842,193	5,099,287	29,941,480	994,594	30,936,074

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

10 Share capital

Authorized

Unlimited number of voting common shares without par value.

Transactions on share capital

2019

During the first quarter ended March 31, 2019, a total of 1,075,000 warrants were exercised at a price of \$0.15 per share and 740,000 stock options at a price of \$0.23 for total proceeds of \$331,450.

2020

During the first quarter ended March 31, 2020, a total of 125,000 stock options were exercised at a price of \$0.085 per share for total proceeds of \$10,625.

Warrants

The following table shows the changes in warrants:

	March 31, 2020		December 31, 2019	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Outstanding – Beginning of period	13,747,406	0.19	39,922,406	0.25
Exercised	-	-	(26,175,000)	0.27
Outstanding and exercisable – End of period	13,747,406	0.19	13,747,406	0.19

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

The number of outstanding warrants that could be exercised for an equal number of common shares is as follows:

Expiration date	March 31, 2020		December 31, 2019	
	Exercise price \$	Number of warrants outstanding	Exercise price \$	Number of warrants outstanding
August 26, 2020	0.25	4,695,240	0.25	4,695,240
September 14, 2020	0.25	901,666	0.25	901,666
May 19, 2021	0.15	2,731,000	0.15	2,731,000
July 29, 2021	0.15	1,494,500	0.15	1,494,500
December 9, 2021	0.15	3,925,000	0.15	3,925,000
		<u>13,747,406</u>		<u>13,747,406</u>

11 Stock options

The Company has a rolling stock option plan (the “Plan”), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of each option (“Option”) shall not be less than the closing price of the common shares on the trading day immediately preceding the day on which the Option is granted, less any discount permitted by the TSX-V and, in any event, the exercise price per Option will not be less than \$0.05, being the minimum exercise price allowable under TSX-V policy.

The following table shows the changes in stock options:

	March 31, 2020		December 31, 2019	
	Number of stock options	Weighted average exercise price \$	Number of stock options	Weighted average exercise price \$
Outstanding – Beginning of period	17,920,000	0.24	14,960,000	0.24
Granted	-	-	5,305,000	0.24
Exercised	-	-	(740,000)	0.23
Expired	(125,000)	0.085	(1,605,000)	0.21
Outstanding – End of period	<u>17,795,000</u>	<u>0.24</u>	<u>17,920,000</u>	<u>0.24</u>
Exercisable – End of period	<u>15,413,750</u>	<u>0.25</u>	<u>14,647,500</u>	<u>0.25</u>

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

The number of outstanding stock options that could be exercised for an equal number of common shares is as follows:

Expiry date	Exercise price \$	Number outstanding	March 31, 2020	December 31, 2019		
			Number exercisable	Number outstanding	Number exercisable	
June 29, 2021	0.15	400,000	400,000	400,000	400,000	
August 31, 2021	0.12	50,000	50,000	50,000	50,000	
June 6, 2022 (a)	0.32	1,400,000	1,400,000	1,400,000	1,400,000	
June 21, 2022	0.155	200,000	200,000	200,000	200,000	
October 14, 2022	0.33	1,000,000	1,000,000	1,000,000	1,000,000	
April 21, 2025	0.19	2,150,000	2,150,000	2,150,000	2,150,000	
May 27, 2025	0.18	200,000	200,000	200,000	200,000	
January 17, 2027	0.085	1,775,000	1,775,000	1,900,000	1,900,000	
March 31, 2027	0.15	500,000	500,000	500,000	500,000	
April 27, 2027	0.195	100,000	100,000	100,000	100,000	
November 28, 2027	0.29	660,000	660,000	660,000	660,000	
June 12, 2028	0.33	3,655,000	3,655,000	3,655,000	3,655,000	
July 29, 2028	0.30	340,000	340,000	340,000	255,000	
October 31, 2028	0.30	60,000	45,000	60,000	45,000	
February 20, 2029	0.27	3,225,000	2,418,750	3,225,000	1,612,500	
December 19, 2029	0.19	2,080,000	520,000	2,080,000	520,000	
			<u>17,795,000</u>	<u>15,413,750</u>	<u>17,920,000</u>	<u>14,647,500</u>

The fair value of stock options granted was determined using the Black & Scholes valuation model based on the following weighted average assumptions:

	December 31, 2019
Weighted average price at the grant date	\$0.24
Weighted average exercise price	\$0.24
Expected dividend	-
Expected average volatility	103.25%
Risk-free average interest rate	1.79%
Expected average life	10 years
Weighted fair value per share option	\$0.22

An expense for stock-based compensation of \$144,896 was recognized during the three-month period ended March 31, 2020 (for the three-month period ended March 31, 2019 – \$389,390). An amount of \$116,120 (for the three-month period ended March 31, 2019 – \$337,918) was recognized in the interim consolidated statement of loss and comprehensive loss and \$28,776 (for the three-month period ended March 31, 2019 – \$51,472) was capitalized to the exploration and evaluation assets.

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

12 Additional cash flow information

The following significant non-cash transactions have been excluded from the statements of cash flows:

	Three-month period ended March 31, 2020 \$	Three-month period ended March 31, 2019 \$
Depreciation included in E&E assets	70,214	45,382
Stock-based compensation included in E&E assets	28,776	51,472
Change in E&E assets included in accounts payable and accrued liabilities	66,305	71,401

13 Related parties

Related parties include the Company's key management personnel and related companies. Unless otherwise stated, balances are usually settled in cash.

Key management personnel are the members of the Board of Directors and officers. The remuneration of key management personnel includes the following:

Transactions with key management personnel

During the three-month period ended March 31, 2020, the Company incurred fees of \$26,250 with the CFO (for the three-month period ended March 31, 2019 – \$26,250). These fees are recorded under professional fees in the interim condensed consolidated statement of loss and comprehensive loss. As at March 31, 2020, no amount (December 31, 2019 – \$18,900) is due to the CFO.

During the three-month period ended March 31, 2020, the Company incurred fees of \$9,000 (for the three-month period ended March 31, 2019 – a salary of \$8,250) to an officer. These fees are recorded under professional fees (for the three-month period ended March 31, 2019 – salaries and benefits) in the interim condensed consolidated statement of loss and comprehensive loss. As at March 31, 2020 and December 31, 2019, no amount was due to the officer.

During the three-month period ended March 31, 2020, the Company incurred fees of \$57,498 (for the three-month period ended March 31, 2019 – \$57,498) with a corporation controlled by a director who is also the President and Chief Executive Officer. An amount of \$11,500 (for the three-month period ended March 31, 2019 – \$11,500) has been recorded under consulting fees in the interim condensed consolidated statement of loss and comprehensive loss and \$45,998 (for the three-month period ended March 31, 2019 – \$45,998) has been capitalized to the Company's E&E assets. As at March 31, 2020, no amount (December 31, 2018 – \$69,000) is due to that corporation.

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

During three-month period ended March 31, 2020, a stock-based compensation of \$106,958 was recognized in connection with stock options granted to officers and directors solely (for the three-month period ended March 31, 2019 – \$290,973). This stock-based compensation was recognized in the interim condensed consolidated statement of loss and comprehensive loss.

Transactions with related parties

During three-month period ended March 31, 2020, the Company incurred fees of \$27,395 (for the three-month period ended March 31, 2019 – \$27,395) with a corporation where the Company's Executive Chairman is also a shareholder of that corporation. An amount of \$25,000 (for the three-month period ended March 31, 2019 – \$25,000) was recorded under consulting fees and \$2,395 (for the three-month period ended March 31, 2019 – \$2,395) under general and other expenses in the interim condensed consolidated statement of loss and comprehensive loss. As at March 31, 2020, no amount (December 31, 2019 – \$30,000) is due to that corporation.

During the three-month period ended March 31, 2020, the Company incurred fees of \$23,125 (for the three-month period ended March 31, 2019 – \$23,125) with a company controlled by the Vice-president Legal and Corporate Affairs. These fees are recorded under professional fees in the interim condensed consolidated statement of loss and comprehensive loss. As at March 31, 2020 no amount (December 31, 2019 – \$16,650) is due to the Vice-president Legal and Corporate Affairs.

Termination and Change of Control Provisions

The Company has entered into consulting agreements with key management personnel for total annual payments of \$527,500. The consulting agreements contain termination without cause and change of control provisions. Assuming that this agreement would be terminated without cause during the year ended December 31, 2020, the total amounts payable to key personnel in respect of severance would amount \$1,163,750. If a change of control would occur during the year December 31, 2020, the total amount payable in respect of severance, if elected by the officers would amount \$1,163,750.

14 Commitments

- a) Sama signed a technology license agreement with CVMR Corporation (CVMR). Under the terms of the agreement, CVMR grants Sama use of its technology to refine the mineralized material from the Samapleu property in Ivory Coast, West Africa, to produce nickel and iron powders. In consideration of the technology license, Sama has agreed to pay CVMR \$5,000,000 either in cash or, subject to approval from the TSX-V, through the issuance of an equivalent value of common shares of Sama within 90 days of the granting of the mining license. Share price will be based on the average closing price of those shares on the exchange for each day during the three months of trading prior to issuance. In addition, CVMR will receive a royalty equal

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

to 15% of the sale price of metal powders produced by the plants in excess of the London Metal Exchange (“LME”) price of the elements contained in such powders.

- b) On October 23, 2017, the Company entered into a binding term sheet in view of forming a strategic partnership with HPX TechCo Inc. (“HPX”), in order to develop its nickel-copper and cobalt project in Ivory Coast, West Africa.

As part of the term sheet, HPX would make a strategic investment of \$5,250,000 by acquiring a total 25,000,000 units at a price of \$0.21 per unit, with each unit consisting of one common share and one share purchase warrant. Each warrant will entitle HPX to purchase an additional common share at a price of \$0.28 per common share for 24 months following the closing date. If exercised, these warrants would represent an additional investment of \$7,000,000 for a total investment, by HPX, of \$12,250,000. HPX would also have the ability to earn, through a joint venture with the Company, up to a 60% interest in the Company’s Ivory Coast projects, including the Samapleu project, by financing exploration and evaluation expenses and completing a feasibility study through total investments of \$30,000,000. The private placement of \$5,250,000 and the exercise of warrants of \$7,000,000 would be considered part of this total investment of \$30,000,000.

Highlights of the term sheet include the following:

- HPX will have a pre-emptive/anti-dilution right to maintain its ownership percentage in the Company in future equity financings as long as the holdings of common shares of the Company by HPX and its affiliates remains above 10%;
- HPX will have the right, but not the obligation, to nominate and have appointed: (i) two directors to the board of the Company as long as its shareholding in the Company remains above 10%; and (ii) four directors if its shareholding is greater than 50%;
- HPX would earn into the Ivory Coast project through Sama Nickel as the joint venture vehicle;
- Pursuant to the terms of the earn-in and joint venture agreement, HPX shall have the ability to earn a 30% interest in the Ivory Coast project by incurring expenditures of \$15,000,000. By incurring additional expenditures of \$15,000,000 (or, as may be the case, \$10,000,000 in certain circumstances discussed as follows) over a maximum of 6 years, including the financing of a bankable feasibility study and the acquisition of an exploitation permit on part of the Ivory Coast project, HPX will be entitled to earn an additional interest in the Ivory Coast project, such that its aggregate interest therein shall be 60%;
- If certain conditions related to the SODEMI/SNC joint venture are not met by August 1, 2020 (the earn-in adjustment date), then HPX shall have a period of one month after the earn-in adjustment date to notify the Company in writing as to whether or not it wishes to proceed with the 60% earn-in on the totality of the Ivory Coast project for:
 - i. A reduced additional expenditure of \$10,000,000 (instead of \$15,000,000) in order to earn its additional 30% interest in all of the Ivory Coast project;

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

- ii. Or an additional expenditure of \$5,000,000 (instead of \$10,000,000) in order to earn its additional 30% interest in the Ivory Coast project excluding the Samapleu project after the Company has transferred the Samapleu project from SNC to the Company or an affiliate.

On April 13, 2018, the Company issued a total of 25,000,000 units at a price of \$0.21 per unit for total proceeds of \$5,250,000 and on June 11, 2019 and December 18, 2019, HPX exercised a total of 25,000,000 warrants at a price of \$0.28 per share for total proceeds of \$7,000,000.

15 Operating segment

The Company operates in one reportable business segment: the exploration and evaluation of mineral properties.

The Company's geographical breakdown of revenues is as follows:

			March 31, 2019 \$
	Canada	Ivory Coast	Total
Revenues from services contracts	-	10,428	10,428

The Company's geographical breakdown of non-current assets is as follows:

			March 31, 2020 \$
	Canada	Ivory Coast	Total
Property, plant and equipment	692	1,470,417	1,471,109
Exploration and evaluation assets	-	30,936,074	30,936,074
Investments in associate	7,671,928	-	7,671,928
	7,672,620	32,406,491	40,079,111

			December 31, 2019 \$
	Canada	Ivory Coast	Total
Deposit on property, plant and equipment	-	447,414	447,414
Deposit on exploration and evaluation assets	-	2,496	2,496
Property, plant and equipment	755	1,049,178	1,049,933
Exploration and evaluation assets	-	29,941,480	29,941,480
Investments in associate	12,434,095	-	12,434,095
	12,434,850	31,440,568	43,875,418

Sama Resources Inc.

Notes to Interim Condensed Consolidated Financial Statements

March 31, 2020 and 2019 and December 31, 2019

(Unaudited - in Canadian dollars)

16 Subsequent event

Convertible debenture

On April 2, 2020, the Company agreed to convert its convertible debenture of US\$1,000,000 (\$1,416,970) at a conversion price of \$0.91 per common share in exchange for 1,557,110 common shares of SRG. Following the conversion as well as the investment described above, the Company holds a total of 24,805,377 common shares in SRG representing an interest of 31.90%.