



**NOTICE OF ANNUAL GENERAL  
MEETING OF SHAREHOLDERS**

**MAY 13, 2013**

**MANAGEMENT PROXY CIRCULAR**

**SEMAFO INC.**

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## **NOTICE OF OUR 2013 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are invited to our 2013 annual general meeting of shareholders

**When**

Monday, May 13, 2013  
4:00 pm

**Where**

Le Centre Sheraton Montreal Hotel  
1201, René-Lévesque Boulevard West  
Drummond Room  
Montréal, Québec  
H3B 2L7

**Your vote is important**

If you held common shares of SEMAFO on March 28, 2013, you are entitled to receive notice of and to vote at this meeting.

The enclosed management proxy circular describes who can vote, what the meeting will cover and how to vote. Please read it carefully.

By order of the Board.

(Signed)

Eric Paul-Hus  
Vice-President, Law and Corporate Secretary

March 29, 2013  
Saint-Laurent, Québec

## MANAGEMENT PROXY CIRCULAR

In this document, *you* and *your* refer to the shareholder. *We, us, our* and SEMAFO mean SEMAFO Inc.

You have received this circular because you owned SEMAFO common shares on March 28, 2013.

As a shareholder, you have the right to attend our annual general meeting of shareholders on May 13, 2013 at 4:00 pm and to vote your shares in person or by proxy. Your proxy is solicited by management.

The information in this circular is as of March 20, 2013 unless otherwise indicated.

On March 20, 2013, the Board of Directors approved the contents of this document and authorized us to send it to you. We have also sent a copy to each director and to the auditors.

Your vote is important. This circular describes what the meeting will cover and how to vote. Please read it carefully and vote, either by proxy or by attending the meeting in person.

(Signed)

Eric Paul-Hus  
Vice-President, Law and Corporate Secretary

March 29, 2013

## LETTER TO SHAREHOLDERS

Dear Shareholders,

On behalf of SEMAFO's Board of Directors, management and employees, it is with great pleasure that we invite you to attend our Annual General Meeting of Shareholders to be held on Monday, May 13, 2013 at 4:00 p.m. at Le Centre Sheraton Montreal Hotel. It will be the first Shareholders Meeting with Benoit Desormeaux as President and Chief Executive Officer.

At the meeting, you will vote and have the opportunity to hear about our performance in 2012, get an update on SEMAFO and meet face to face with management and the Board members.

We invite you to read our *2012 Annual Report*, *2012 Annual Financial Information* and *2012 Sustainable Development Report* as well as this *Management Proxy Circular* and to exercise your right to vote.

We look forward to seeing you at the meeting.

Yours sincerely,

(Signed)

Jean Lamarre  
Executive Chair of the Board

(Signed)

Benoit Desormeaux  
President and Chief Executive Officer

# OUR SHAREHOLDERS MEETING

## WHAT THE MEETING IS ABOUT

### **Directors – see pages 7 to 12**

You will elect directors to the Board. *Nominee directors* starting on page 7 tells you about the nominee directors, their background, experience, the Board committees they sit on as well as their continuing education activities in 2012. All directors are elected for a term of one year.

### **Auditors – see page 13**

You will vote on appointing the auditors. The Board, on the recommendation of the Audit Committee, proposes that PricewaterhouseCoopers LLP (*PwC*) be reappointed as auditors. *Auditors* on page 13 tells you about the services PwC provided in 2012 and 2011 and the fees we paid them. A representative of PwC has been invited to and will attend the meeting.

### **Say on Pay – see page 14**

You will vote on our approach to executive compensation. Your vote is advisory and non-binding and will provide the Human Resources and Corporate Governance Committee and the Board with important feedback.

**Financial statements** – see our 2012 consolidated audited financial statements or go to [www.semafo.com](http://www.semafo.com). You will examine the consolidated audited financial statements for the year ended December 31, 2012 and the auditors' report on these statements.

## WHO CAN VOTE

If you held common shares at the close of business on March 28, 2013 (known as the *record date*), you are (or the person you appoint as proxyholder is) entitled to vote at the meeting. Each common share gives you the right to one vote. As of March 20, 2013, we had 273,218,182 common shares outstanding entitled to be voted at the meeting.

### **Principal shareholder**

As of March 20, 2013, to the best of our knowledge and belief, Sentry Select Capital Corp. directly or indirectly held 32,265,900 SEMAFO common shares or approximately 11.81% of our common shares.

You can vote by proxy, or you can attend the meeting and vote your shares in person.

## VOTING BY PROXY

Voting by proxy means that you are giving someone else (your *proxyholder*) the authority to attend the meeting (or any postponement or adjournment) and vote for you.

Jean Lamarre, the Executive Chair of the Board of SEMAFO, or in his absence, John LeBoutillier, the Lead Director of the Board, or in his absence, Benoit Desormeaux, our President and Chief Executive Officer, have agreed to act as proxyholders to vote your shares at the meeting according to your instructions. **Alternatively, you can appoint someone else to represent you and vote your shares at the meeting.**

If you appoint the people named above (*named proxyholders*) but do not tell them how you want to vote your shares, your shares will be voted:

- **FOR** electing the nominee directors who are named in the proxy form and management proxy circular
- **FOR** appointing PwC as auditors
- **FOR** the advisory resolution on our approach to executive compensation (Say on Pay).

If there are amendments or other items of business that are properly brought before the meeting, the named proxyholders (or alternatively, your proxyholder) can vote as he (or she) sees fit.

### Proxy voting process

The voting process is different depending on whether you are a registered or non-registered shareholder.

You are a *registered* shareholder if your name appears on your share certificate.

You are a *non-registered* shareholder if your bank, trust company, securities broker, trustee or other financial institution holds your shares (your *nominee*). This means the shares you own are registered in your nominee's name.

#### *Registered shareholders*

You can vote by:

1. Mail
2. Telephone
3. Internet
4. In person at the meeting
5. Appointing someone else to attend the meeting and vote your shares for you.

#### 1. By Mail

Complete your proxy form, sign and date it, and send it to Computershare Trust Company of Canada (*Computershare*) in the envelope provided.

#### 2. By Telephone

Call toll free 1-866-732-vote (8683) from a touch tone phone. Follow the instructions. You will need your control number, which appears on your proxy form. We need to receive your voting instructions before 5:00 pm (EDT) on May 9, 2013.

#### 3. On the Internet

Go to [www.investorvote.com](http://www.investorvote.com) and follow the instructions on screen. You will need your control number, which appears on your proxy form. We need to receive your voting instructions before 5:00 pm (EDT) on May 9, 2013.

#### 4. In person at the meeting

Do not complete the enclosed proxy form. When you arrive at the meeting, please see a representative of Computershare. Your vote will be taken and counted at the meeting.

5. Appointing someone else to attend the meeting and vote your shares for you.

Print the name of the person you are appointing as your proxyholder in the space provided. This person does not need to be a shareholder. Make sure your proxyholder attends the meeting. He or she will need to see a representative of Computershare upon arrival.

*Non-registered shareholders*

If you plan to vote by proxy, follow the instructions on the enclosed form. If you plan to vote in person at the meeting, follow the instructions on the enclosed form, or contact your nominee to find out how you can attend the meeting and vote in person. If you plan to appoint a proxyholder to attend the meeting for you, your nominee has its own voting instructions. Be sure to follow the instructions on the enclosed form.

**Signing the proxy**

If you are an administrator, trustee, attorney or guardian for a person who beneficially holds or controls SEMAFO common shares, or an authorized officer or attorney acting on behalf of a corporation, estate or trust that beneficially holds or controls our common shares, please follow the instructions on the proxy form.

**Send us your proxy form right away**

Your vote will be counted if Computershare receives your proxy form before 5:00 pm (EDT) on May 9, 2013 or 5:00 pm (EDT) on the business day preceding any meeting that is postponed or adjourned, and the form has been completed properly.

**Changing your vote**

If you have voted by proxy, you can revoke your vote in the following ways:

*Registered shareholders*

Instructions that are provided by a form with a later date, or at a later time in the case of voting on the Internet, will revoke any prior instructions if they are received before the meeting. Otherwise:

- Send a notice in writing to the corporate secretary at:

SEMAFO Inc.  
100, Alexis-Nihon Blvd., 7<sup>th</sup> Floor  
St-Laurent (Quebec) H4M 2P3  
Canada

so it is received by 5:00 pm (EDT) on May 9, 2013. If the meeting is postponed or adjourned, you will need to send the notice by 5:00 pm. (EDT) on the business day before the postponed or adjourned meeting is held.

- give notice in writing to the chair of the meeting at the meeting or the postponed or adjourned meeting.

*Non-registered shareholders*

Instructions that are provided by a form with a later date, or at a later time in the case of voting on the Internet, will revoke any prior instructions provided they are received before the meeting. Otherwise, contact your nominee if you want to revoke your proxy, change your voting instructions or if you change your mind and decide to vote in person.

The notice can be from you or your attorney if he or she has your written authorization. If the shares are owned by a corporation, the written notice must be from its authorized officer or attorney.

**Delivery of proxy-related material to certain non-registered shareholders**

We do not intend to pay for a proximate intermediary to send the proxy-related material and request for voting instructions made by an intermediary to non-registered shareholders who are objecting beneficial owners (known as *OBOs*). Consequently, if you are an *OBO*, you may not receive our proxy-related material unless an intermediary assumes the costs of the delivery.



## NOMINEE DIRECTORS

Our articles and by-laws provide that the minimum number of directors is three and the maximum number is 15. This year, the Board has passed a resolution to the effect that seven directors are to be elected. All of them currently serve on the Board.

We have assembled a Board that is the right size and has the relevant skills and experience to function efficiently and manage our business and affairs.

Five of the nominee directors are independent, while Mr. Jean Lamarre, who is the Executive Chair of the Board and Mr. Benoit Desormeaux, our President and Chief Executive Officer, are not independent directors. Directors who are elected will serve until the end of the next annual meeting of shareholders or until a successor is elected or appointed.

None of the nominee directors serve together on the board of a public company other than SEMAFO.

The table on the next page gives you more information about each nominee director. You will also find some information on the number and value of our securities they own on page 39.

Unless otherwise instructed, the named proxyholders will vote **FOR** the election of each nominee director.

## POLICY ON MAJORITY VOTING

The Board believes that each of its members should carry the confidence and support of the majority of shareholders and, consequently, adopted a majority voting policy.

In the event that a nominee director receives more *WITHHELD* than *FOR* votes, then the nominee will be considered not to have received your support, even though duly elected as a matter of corporate law. Such nominee shall forthwith submit to the Board his resignation. The Human Resources and Corporate Governance Committee will then assess all circumstances relating to this situation and, as the case may be, will recommend to the Board whether to accept the resignation of the nominee.

The Board will have 90 days from the date of the shareholders' meeting to issue a press release announcing the resignation of the nominee or explaining why the resignation has not been accepted. The Board may, at its discretion, fill the vacancy created by the resignation or otherwise act in accordance with applicable laws. This policy does not apply in any case where proxy material is circulated in support of one or more nominees who are not supported by the Board.

Name, province and country of residence	Principal occupation	Biography
<b>Terence F. Bowles<sup>1</sup></b> Age: 63 Director since 2011 Nun's Island, Québec, Canada Independent <i>Areas of expertise:</i> <ul style="list-style-type: none"> <li>• Mining</li> <li>• Finance</li> <li>• Risk Management</li> <li>• Strategic Leadership</li> </ul>	President and Chief Executive Officer, The St-Lawrence Seaway Management Corporation	Terence F. Bowles is President and Chief Executive Officer of the St. Lawrence Seaway Management Corporation since November 1, 2010. He had prior roles as President and Chief Executive Officer of the Iron Ore Company of Canada, the largest manufacturer of iron ore pellets in Canada, from 2001 to 2010. Following his 1971 graduation as a Chemical Engineer from Laval University in Québec City, Mr. Bowles joined Quebec Iron and Titanium (QIT). During his 27-year career at QIT, he assumed a series of progressively more senior assignments which culminated with his appointment as President and Chief Executive Officer in 1996, a position he held until 2001. Along with his Engineering Degree, he obtained a Master's in Business Administration from McGill University, completed an Advanced Executive Program at the Kellogg Graduate School of Management in Chicago, a Strategic Leadership Program at the London Business School and McGill's Institute of Corporate Directors Program, where he received the ICD.D designation. Mr. Bowles is a Member of the Québec Order of Engineers. He is currently President of the Canadian Institute of Mining, Metallurgy and Petroleum and a member of the Board of the Chamber of Marine Commerce.
<b>Benoit Desormeaux<sup>2</sup></b> Age: 43 Director since 2012 Longueuil, Québec, Canada Not independent <i>Areas of expertise:</i> <ul style="list-style-type: none"> <li>• Mining</li> <li>• Accounting</li> <li>• Management</li> <li>• Finance</li> </ul>	President and Chief Executive Officer, SEMAFO Inc.	Mr. Desormeaux assumed the position of President and Chief Executive Officer on August 8, 2012. Mr. Desormeaux had been Executive Vice-President and Chief Operating Officer of the Corporation since 2004 and previously held the position of Chief Financial Officer from 2003 to 2004. Prior to joining SEMAFO in 1997, Mr. Desormeaux worked for Deloitte & Touche, LLP. He is a Chartered Professional Accountant, a member of the Canadian Institute of Chartered Accountants and holds a Bachelor of Business Administration (BBA) degree from Écoles des Hautes Études Commerciales (HEC).
<b>Jean Lamarre<sup>3</sup></b> Age: 59 Director since 1997 Outremont, Québec, Canada Not Independent <i>Areas of expertise:</i> <ul style="list-style-type: none"> <li>• Finance</li> <li>• Africa</li> <li>• Public Policy</li> <li>• Risk Management</li> </ul>	President, 2856166 Canada Inc. doing business under the name Lamarre Consultants (a company representing national and international companies in their efforts to establish or expand their business in Québec)	Mr. Jean Lamarre held various positions of significant responsibility with Groupe Lavalin Inc., including Vice President, Finance. From 1992 to 1995, he was Vice President, Groupe Canam Manac. Mr. Lamarre has over 35 years of business experience in Africa. He holds a Bachelor Degree in business administration (B.A.A.) from École des Hautes Études Commerciales (HEC).

<sup>1</sup> Member of the Audit Committee and of the Environmental, Health & Safety and Sustainable Development Committee

<sup>2</sup> Mr. Desormeaux is a director of some of our subsidiaries

<sup>3</sup> Executive Chair of the Board since June 18, 2008. Mr. Lamarre is a director of some of our subsidiaries. Mr. Lamarre was a director of Medical Intelligence Technologies Inc. which filed for and obtained protection under the *Companies' Creditors Arrangement Act* (Canada) and subsequently made an assignment of its property on February 9, 2010. He was also a director of 6941249 Canada Inc. (known as Mechtronix), which filed a notice of intent to make a proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada) on May 15, 2012 and then filed an assignment for the benefit of its creditors on August 3, 2012. Mr. Lamarre was also a director of Mango Industrie de Cuivre Inc., which filed for protection under the *Companies' Creditors Arrangement Act* (Canada) and remains subject thereto.

Name, province and country of residence	Principal occupation	Biography
<b>John LeBoutillier, C.M.<sup>4</sup></b> Age: 68 Director since 2006 Montréal, Québec, Canada Independent <i>Areas of expertise:</i> <ul style="list-style-type: none"> <li>• Corporate Governance</li> <li>• Compensation</li> <li>• Mining</li> <li>• Finance</li> <li>• Risk Management</li> </ul>	Chairman, Industrial Alliance, Insurance and Financial Services Inc.	Since May 2005, Mr. John LeBoutillier is Chairman of the Board of Directors of Industrial Alliance, Insurance and Financial Services Inc., a life and health insurance company conducting activities in the insurance and wealth management sectors. He was also President and Chief Executive Officer of the Iron Ore Company of Canada, the largest iron ore producer in Canada, from 1996 to 2000, as well as President and Chief Executive Officer of Sidbec-Dosco Inc. (now ArcelorMittal Montreal Inc.) from 1983 to 1996. Mr. LeBoutillier is a director of several publicly-traded companies (see page 41) and a member of the Québec Bar.
<b>Gilles Masson<sup>5</sup></b> Age: 66 Director since 2006 Laval, Québec, Canada Independent <i>Areas of expertise:</i> <ul style="list-style-type: none"> <li>• Accounting</li> <li>• Finance</li> <li>• Mining</li> </ul>	Corporate director	Mr. Gilles Masson was elected to the Board of Directors and joined its Audit Committee in January 2006. In May 2007, he was appointed Chair of SEMAFO's Audit Committee. Mr. Masson is a member of the Ordre des comptables agréés du Québec and of the Institute of Corporate Directors. He spent 36 years with the firm PricewaterhouseCoopers LLP, Chartered Accountants, including 25 years as partner. His clientele included, among others, large national and international companies with operations in the mining sector. Mr. Masson retired from PwC on December 31, 2005. He serves on the board of directors of several publicly-traded companies (see page 41).
<b>Lawrence McBrearty<sup>6</sup></b> Age: 69 Director since 2009 Brampton, Ontario, Canada Independent <i>Areas of expertise:</i> <ul style="list-style-type: none"> <li>• Mining</li> <li>• Labour Relations</li> <li>• Health &amp; Safety</li> <li>• Humanitarian</li> </ul>	Labor relations consultant	Mr. Lawrence McBrearty's business experience includes a 40-year career with the United Steelworkers of America, the largest industrial labor union in North America. From 1974 to 1994, Mr. McBrearty held positions of increasing responsibility, including Staff Representative, Regional Coordinator, Assistant to the District Director (Québec and Atlantic Canada) and District Director (Québec and Atlantic Canada). Mr. McBrearty was Canadian National Director USW from 1994 to 2004. Mr. McBrearty received a PhD Honoris Causa for his international humanitarian involvement from Université du Québec in 2003. He is a labour relations consultant since 2004. Mr. McBrearty was a member of several Canadian associations and international committees in the steel and mining sectors and a director of WCI Steel Inc. from 2006 to 2008.

<sup>4</sup> Lead Director and Chair of the Human Resources and Corporate Governance Committee. Mr. John LeBoutillier was, but is no longer, a director of McWatters Mining Inc. ("McWatters") which, in January 2004, filed a notice of intent to make a proposal to its creditors under the Bankruptcy and Insolvency Act (Canada) and was the subject of a cease trade order. The proposal made by McWatters was accepted by its creditors in June 2004 and subsequently ratified by the Quebec Superior Court in July 2004. He was also, but is no longer, a director of Shermag Inc., which filed for and obtained creditor protection under the Companies' Creditors Arrangement Act (Canada) ("CCAA") in April 2008. In August 2009, Shermag presented a plan of arrangement to its creditors and obtained the homologation from the Superior Court (district of Montreal) on September 15, 2009. Shermag closed a transaction with Groupe Bermex Inc. and implemented a plan of arrangement in October 2009 allowing it to emerge from the CCAA proceedings. The transaction enabled Groupe Bermex Inc. to take control over Shermag and to pursue its restructuring and relaunching

<sup>5</sup> Chair of the Audit Committee and member of the Human Resources and Corporate Governance Committee

<sup>6</sup> Chair of the Environmental, Health & Safety and Sustainable Development Committee and member of the Human Resources and Corporate Governance Committee. Mr. McBrearty was also a director of Mango Industrie de Cuivre Inc., which filed for protection under the Companies' Creditors Arrangement Act (Canada) and remains subject thereto.

Name, province and country of residence	Principal occupation	Biography
<p><b>Tertius Zongo<sup>7</sup></b></p> <p>Age: 55</p> <p>Director since 2012</p> <p>Ouagadougou, Burkina Faso</p> <p>Independent</p> <p><i>Areas of expertise:</i></p> <ul style="list-style-type: none"> <li>• Africa</li> <li>• Public Policy</li> <li>• Risk Management</li> <li>• Finance</li> <li>• Accounting</li> </ul>	<p>Economist</p>	<p>Mr. Tertius Zongo was Prime Minister and Head of Government of the Republic of Burkina Faso from 2007 until 2011. From 2002 until 2007, he was Ambassador Extraordinary and Plenipotentiary of Burkina Faso to the United States of America. From 1988 until 2002, Mr. Zongo had increasingly important positions within the government of Burkina Faso including as Minister of State for Planning and Budget and as Minister of Economy and Finance. As such, he held the office of Governor of Burkina Faso to the World Bank, the International Monetary Fund, the African Development Bank, the Islamic Development Bank and also held various positions at the West Africa sub-regional level. Mr. Zongo was a member of the board of directors of a number of institutions, including the Central Bank of West African States (BCEAO) and the West African Development Bank (BOAD). Prior to his career with the government of Burkina Faso, Mr. Zongo was an Academic at the University of Ouagadougou and the National School of Financial Controls where he taught accounting, business economy and financial management. Mr. Zongo holds a B.A. and a Master's degree in Economy – Business Management – from the University of Dakar, Senegal and a degree of Higher Studies in business management from the Institute of Business Management of Nantes, France.</p>

<sup>7</sup> Member of the Audit Committee and of the Environmental, Health & Safety and Sustainable Development Committee.

## MEETING ATTENDANCE

We expect directors to attend all Board meetings as well as all meetings of committees of which they are members. Directors can participate by telephone if they cannot attend in person. The table below shows the number of Board and committee meetings each director attended in 2012:

Name	Board meetings attended	Committee meetings attended	Total meetings attended <sup>1</sup>
<b>Terence F. Bowles</b>	7 of 7: 100%	6 of 6 <sup>2</sup> : 100%	13 of 13: 100%
<b>Pierre Claver Damiba<sup>3</sup></b>	2 of 3: 67%	2 of 4: 50%	4 of 7: 57%
<b>Benoit Desormeaux<sup>4</sup></b>	3 of 3: 100%	N/A	3 of 3: 100%
<b>Jean Lamarre</b>	7 of 7: 100%	2 of 2 <sup>5</sup> : 100%	9 of 9: 100%
<b>Benoit La Salle<sup>6</sup></b>	7 of 7: 100%	N/A	7 of 7: 100%
<b>John LeBoutillier</b>	7 of 7: 100%	8 of 8: 100%	15 of 15: 100%
<b>Gilles Masson</b>	7 of 7: 100%	12 of 12: 100%	19 of 19: 100%
<b>Lawrence McBrearty</b>	7 of 7: 100%	12 of 12: 100%	19 of 19: 100%
<b>Tertius Zongo<sup>7</sup></b>	4 of 4: 100%	4 of 4: 100%	8 of 8: 100%

<sup>1</sup> In 2012, there were seven Board meetings, four Audit Committee meetings, eight Human Resources and Corporate Governance Committee meetings and four Environmental, Health & Safety and Sustainable Development Committee meetings

<sup>2</sup> Mr. Bowles became a member of the Environmental, Health & Safety and Sustainable Development Committee on May 14, 2012

<sup>3</sup> Mr. Damiba was a member of the Audit Committee and of the Environmental, Health & Safety and Sustainable Development Committee. He decided not to seek reelection and retired from the Board on May 14, 2012

<sup>4</sup> Mr. Desormeaux was appointed director on August 8, 2012

<sup>5</sup> Mr. Lamarre was a member of the Environmental, Health & Safety and Sustainable Development Committee until May 14, 2012

<sup>6</sup> Mr. La Salle decided not to seek reelection and will retire from the Board at your May 13, 2013 meeting

<sup>7</sup> Mr. Zongo was elected director and became a member of the Audit Committee and of the Environmental, Health & Safety and Sustainable Development Committee on May 14, 2012. He attended every Board and committee meeting of which he is a member in 2012.

## CONTINUING DIRECTOR EDUCATION

The Board believes that continuing education allows directors to have a better understanding of our operations and be more efficient. Accordingly, the Board has entrusted the Human Resources and Corporate Governance Committee with providing Board members with continuing education opportunities. In order to keep Board members current with our operations, information sessions and briefings are provided at Board and committee meetings on a regular basis and, occasionally, at special meetings. These sessions and briefings relate to our business strategies, evolving business operations, risk management, changes in regulatory environment and subjects of relevance to the Board or the particular committee involved.

The table below describes the various educational sessions held in 2012:

Topic	Presented by	Attended by
Geology: Acquisition, development and write-off of mineral projects	Vice-President, Exploration and Mine Geology	Board
Creating Value for Gold Companies	President and Chief Executive Officer	Board
Sustainable Development: GRI Indicators and United Nations Global Compact	Sustainable Development Specialist	Environmental, Health & Safety and Sustainable Development Committee
Environmental Risks	President and Chief Executive Officer	Environmental, Health & Safety and Sustainable Development Committee
Compensation Trends in Canada	Vice-President, Human Resources	Human Resources and Corporate Governance Committee
Risk Assessment and Management	Chief Financial Officer	Audit Committee
IS/IT	Director, Information Technology	Audit Committee
Maximizing Gold Sales	Chief Financial Officer	Audit Committee
Complying with National Instrument 52-109	Chief Financial Officer	Audit Committee
Managing CAPEX	Chief Financial Officer	Audit Committee

## AUDITORS

The firm PricewaterhouseCoopers LLP, or its predecessors, has acted as auditors since our beginning. Unless otherwise instructed, the named proxyholders will vote **FOR** reappointing PwC and will authorize the Board to determine their compensation.

PwC provides us three types of services:

- *audit services* – these services relate to the audit of our audited annual financial statements and other regulatory audit services
- *audit-related services* – these services relate to professional services regarding interim financial statements, due diligence services related to mergers and acquisitions as well as internal control reviews
- *other services* – these services relate to accounting and financial reporting services pertaining to public offering by prospectus and assurance and advisory services for International Financial Reporting Standards (known as *IFRS*) obligations and conversions.

You will find in the table below the total fees we paid to PwC for all their services in 2012 and 2011 as well as the percentage paid for each type of service compared to total fees:

	Year Ended December 31	
	2012	2011
<b>Audit Fees</b>	CAD \$515,185 (65%)	CAD \$496,500 (74%)
<b>Audit-Related Fees</b>	CAD \$172,155 (22%)	CAD \$135,300 (20%)
<b>All Other Fees</b>	CAD \$99,723 (13%)	CAD \$36,500 (5%)
<b>Total Fees</b>	CAD \$787,063 (100%)	CAD \$668,300 (100%)

## SAY ON PAY

You have the opportunity to vote on our approach to executive compensation. Your vote is advisory and non-binding and will provide the Human Resources and Corporate Governance Committee and the Board with important feedback.

*Executive compensation* starting on page 18 tells you about our executive compensation philosophy and how we implement it.

As a shareholder, you have the opportunity to vote *for* or *against* our approach to executive compensation through the following resolution:

*Resolved, on an advisory basis and not to diminish the role and responsibilities of the board of directors that the shareholders accept the approach to executive compensation disclosed in SEMAFO's management proxy circular delivered in advance of the 2013 annual meeting of shareholders.*

We recommend that shareholders vote **FOR** the advisory resolution on our approach to executive compensation. Unless otherwise instructed, the named proxyholders will vote **FOR** the advisory resolution.

The Board believes it is important to give shareholders an effective way to provide input on our approach to executive compensation. This is the first year that you will have an opportunity to participate in an advisory vote and we are proud to adopt this emerging best governance practice.

You can also write directly to the Chair of the Human Resources and Corporate Governance Committee with your views on our executive compensation.

Because your vote is advisory, it will not be binding upon the Board. However, the Human Resources and Corporate Governance Committee and the Board will take the outcome of the vote into account when considering future executive compensation.



## CORPORATE GOVERNANCE

We believe that good corporate governance practices are at the core of sustainable mining and responsible business behavior towards all our stakeholders.

This section includes a report of each committee of the Board. You will find a complete discussion of our corporate governance practices in Appendix A.

### REPORT OF THE AUDIT COMMITTEE

The Audit Committee primarily supports the Board in its oversight of risk management, auditing and accounting issues. The Audit Committee is composed of three independent directors, each of whom is “financially literate” as such expression is defined under Canadian Securities Administrator’s rules. You will find the mandate of the Audit Committee on our website at [www.semafo.com](http://www.semafo.com).

#### **In 2012, the Audit Committee:**

##### *Financial reporting and internal controls*

- Recommended to the Board for approval all consolidated financial statements, related management’s discussion and analysis and press releases as well as the annual information form
- Oversaw our disclosure controls and procedures and internal control over financial reporting to ensure that we are compliant with our obligations regarding the certification of disclosure in our annual and interim filings (National Instrument 52-109)
- Adopted a new whistle blowing policy
- Oversaw a new procedure for approval of capital expenditures.

##### *Governance and risk*

- Received presentations regarding the major risks facing our operations
- Oversaw a risk assessment and on-going compliance program with respect to anti-corruption laws
- Adopted an audit and non-audit services pre-approval policy
- Monitored several developments in our host countries that may have had repercussions on our financial statements
- Met in private with the independent auditors at every meeting
- Recommended to the Board for approval amendments to the mandate of the Audit Committee

##### *Strategic*

- In collaboration with the Board and the Environmental, Health & Safety and Sustainable Development Committee, transferred to the latter committee the oversight of our environmental and health and safety risks
- Met without management present at each meeting
- Welcomed a new member (Tertius Zongo).

We believe that the Audit Committee left no stone unturned in the fulfillment of its mandate for the year ended December 31, 2012.

Gilles Masson (Chair)

Terence F. Bowles (Member)

Tertius Zongo (Member)

## REPORT OF THE ENVIRONMENTAL, HEALTH & SAFETY AND SUSTAINABLE DEVELOPMENT COMMITTEE

The Environmental, Health & Safety and Sustainable Development Committee primarily supports the Board in its oversight of environmental, health and safety and sustainable development issues. The committee is composed of three independent directors. You will find the mandate of the Environmental, Health & Safety and Sustainable Development Committee on our website.

### **In 2012, the Committee:**

#### *Sustainable development*

- Recommended to the Board for approval adhesion to the United Nations Global Compact
- Recommended to the Board for approval our second sustainable development report
- Monitored compliance with 27 indicators developed by the Global Reporting Initiative (GRI)
- Monitored compliance with the 10 principles of the United Nations Global Compact.

#### *Governance and risk*

- Oversaw the environmental and health and safety risks facing our operations
- Received presentations on environmental, health and safety and sustainable development issues
- Recommended to the Board for approval amendments to the mandate of the Environmental, Health & Safety and Sustainable Development Committee.

#### *Environment and Health and Safety*

- Oversaw an environmental audit conducted by an independent consultant on our three operating sites
- Monitored our health and safety record and followed-up on reported incidents
- Monitored health issues facing the expatriate employees working in Africa
- Monitored health issues facing the inhabitants of the communities surrounding our mines.

#### *Strategic*

- In collaboration with the Board and the Audit Committee, accepted from the latter committee the oversight of our environmental and health and safety risks
- Recommended to the Board for approval amendments to the mandate of the Environmental, Health & Safety and Sustainable Development Committee
- Welcomed two new members (Terence F. Bowles and Tertius Zongo).

The Environmental, Health & Safety and Sustainable Development Committee, which was established in 2009, reached its cruising speed in 2012 and is now well equipped to assist the Board in its objective of establishing SEMAFO as a responsible mining corporation in the countries in which we operate.

Lawrence McBrearty (Chair)

Terence F. Bowles (Member)

Tertius Zongo (Member)

## REPORT OF THE HUMAN RESOURCES AND CORPORATE GOVERNANCE COMMITTEE

The Human Resources and Corporate Governance Committee primarily supports the Board in its oversight of named executive officers' compensation, corporate governance and disclosure issues. The Committee is composed of three independent directors. You will find the mandate of the Human Resources and Corporate Governance Committee in Appendix C.

### **In 2012, the Committee:**

#### *Board composition*

- Evaluated the composition, size and expertise of the Board
- Oversaw a Board renewal process that resulted in two new directors joining the Board (Messrs. Benoit Desormeaux and Tertius Zongo)
- Recommended the nominee directors who stand for election.

#### *Succession planning*

- Administered the process resulting in the appointment of Mr. Benoit Desormeaux as President and Chief Executive Officer.

#### *Compensation*

- Reviewed the compensation package of each named executive officer with an independent advisor and recommended to the Board for approval these compensation packages
- Recommended to the Board payment of the 2011 short-term incentive based on the 2011 objectives
- Recommended to the Board for approval the 2012 short-term incentive objectives (see pages 19 to 21)
- Recommended to the Board for approval adjustment to the independent directors' compensation (see p. 34).

#### *Governance*

- Recommended to the Board for approval a new :
  - Code of conduct
  - Disclosure policy
  - By-Law
  - Majority voting policy (see p. 7)
  - Securities trading policy
  - Chief Executive Officer stock ownership policy (see p.19)
  - Mandate for the Executive Chair of the Board
  - Mandate for the President and Chief Executive Officer
  - Mandate for the Lead director
- Oversaw the report on compensation that you will find beginning on page 18
- Recommended to the Board for approval this proxy circular.

#### *Strategic*

- Met without management present at each meeting.

The Committee oversaw SEMAFO's adoption of improved governance practices in 2012 and has hence fulfilled its mandate for the year.

John LeBoutillier (Chair)

Gilles Masson (Member)

Lawrence McBrearty (Member)

# COMPENSATION<sup>1</sup>

## EXECUTIVE COMPENSATION

### Discussion and Analysis

Our executive management compensation philosophy, which applies to the six named executive officers mentioned in this document, is designed to attract, retain and motivate the named executive officers to contribute to optimal organizational performance and corporate growth. Its objective is to reward performance while ensuring that the overall compensation is competitive with the gold mining industry.

The Human Resources and Corporate Governance Committee, composed of Messrs. John LeBoutillier (Chair), Gilles Masson and Lawrence McBrearty, all independent directors, is responsible for developing and implementing this philosophy and recommends annually to the Board for approval the appropriate compensation for the named executive officers. Mr. LeBoutillier was President and Chief Executive Officer of two sizeable companies from 1983 to 2000 and is Chairman of the Board of Industrial Alliance, Insurance and Financial Services Inc. since May 2005. Mr. LeBoutillier has also served as director of several public companies over a number of years. As a result, Mr. LeBoutillier has relevant experience in determining executive and director compensation. Pages 18 to 22 as well as pages 46 and 47 provide more information on the decision making process of the Human Resources and Corporate Governance Committee. You will also find its mandate in Appendix C.

To reach its objectives, our executive management compensation philosophy includes three components:

1. base salary
2. short-term incentive (annual bonus)
3. long-term incentive (restricted share units and, up to 2010, stock options).

We do not have a pension plan and do not pay any other kind of compensation (such as parking, car allowance, personal tax service, etc.) to named executive officers or directors.

Since 2009, the Human Resources and Corporate Governance Committee has worked with PCI-Perrault Conseil Inc. (*Perrault Conseil*), an independent compensation consultant, to analyze the compensation of named executive officers. In 2012, the Human Resources and Corporate Governance Committee, recognizing that competition amongst mining companies for skilled management and operational personnel was intense, requested that Perrault Conseil review the compensation of five publicly-traded gold mining companies (*comparator group*) selected because the financial markets routinely perceives these companies as peers to SEMAFO. These companies are:

- Alacer Gold Corporation
- Alamos Gold Inc.
- AuRico Gold Inc.
- B2Gold Corporation
- Golden Star Resources Ltd.

For its services, Perrault Conseil was paid approximately CAD \$63,000 in 2012. A description of the full services provided by Perrault Conseil in 2012 can be found on page 47.

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<sup>1</sup> We report our financial results in US dollars and, in this circular, unless otherwise indicated, all amounts are in US dollars. However, named executive officers and independent directors receive their compensation in Canadian dollars. The compensation has been converted into US dollars using an average CAD/USD foreign exchange rate for the relevant year, except for option-based awards. The average foreign exchange rate used was 1.0001 for 2012, 0.9890 for 2011 and 1.0297 for 2010.

## 1. Base salary

Our traditional objective with respect to base salary is to position our named executive officers at the market's median. The experience, seniority and responsibilities of the named executive officers are also taken into account and, with respect to named executive officers other than himself and the Executive Chair, the recommendations of the President and Chief Executive Officer. The Board makes the final determination of the base salary of the named executive officers on the recommendation of the Human Resources and Corporate Governance Committee. Messrs. Desormeaux (and before him, Mr. La Salle) and Lamarre are not present when their base salary is discussed and approved by the independent directors. In 2012, the results of the analysis of the base salary paid by the comparator group was taken into account by the Human Resources and Corporate Governance Committee when it made its recommendations to the Board regarding the adjustments to the base salary of each named executive officer.

The purpose of this component of our executive management compensation philosophy is to ensure that the overall compensation of named executive officers is competitive with the gold mining industry.

### *Chief Executive Officer Ownership Policy*

In 2012, the Board adopted an ownership requirement providing that the Chief Executive Officer must hold that number of common shares of SEMAFO with a value of at least two times his or her base salary. This requirement is to be attained within five years of becoming the Chief Executive Officer and must be maintained during the tenure as Chief Executive Officer.

## 2. Short-term incentive

Our short-time incentive component takes the form of an annual bonus. Annual bonuses are payable in cash and are generally designed to reward corporate performance based on predetermined corporate objectives and performance measures. Those corporate objectives and performance measures are fixed at the beginning of each year by the Board on the recommendation of the Human Resources and Corporate Governance Committee and are based on our yearly budget and strategic plan.

The 2012 annual bonuses for the named executive officers were structured to reward the achievement of corporate objectives and performance measures specifically set for each named executive officer with the exception of Mr. Lamarre, the Executive Chair of the Board. In addition to regular contacts with African officials, Mr. Lamarre sits on the board of directors of several of our African subsidiaries and other companies active in Africa, together with government representatives. Given this unique situation, the Board, on the recommendation of the Human Resources and Corporate Governance Committee, concluded that Mr. Lamarre's annual bonus should not be based on our corporate objectives or predetermined individual objectives but rather on the evolution of our relationships with the various governmental stakeholders in the countries where we operate.

The table below indicates the weighting of the corporate objectives relating to the annual bonus of the named executive officers:

<b>Named Executive Officer \ Objective</b>	<b>Annual Gold Production of 240,900 Ounces</b>	<b>Total Cash Margin \$728/ounce</b>	<b>Discovery of 1,000,000 gold ounces in reserves and resources</b>
<b>Benoit La Salle</b>	60%	40%	-
<b>Benoit Desormeaux</b>	60%	40%	-
<b>Patrick Moryoussef</b>	60%	40%	-
<b>Martin Milette</b>	60%	40%	-
<b>Michel Crevier</b>	35%	25%	40%

The results of our corporate objectives are then weighted by 25%, representing the individual performance objective set forth with respect to each named executive officer. Each named executive officer met his individual performance objective in 2012. The named executive officers' performance is assessed by the President and Chief Executive Officer and approved by the Board on the recommendation of the Human Resources and Corporate Governance Committee. The individual objectives of the President and Chief Executive Officer were assessed by the Board upon the recommendation of the Human Resources and Corporate Governance Committee.

In 2012, we produced 236,100 ounces of gold. Considering the variation in the gold-in-circuit, we actually exceeded our corporate objectives of 240,900 ounces. This objective was met at 100%.

The cash margin<sup>2</sup> was \$885 per ounce, being 120% of this objective. In the aggregate, our 2012 corporate objectives were hence met at 108%.

With respect to the Vice-President, Exploration and Mine Geology, the objective regarding the discovery of reserves and resources was not met as a result of the removal of over 1,000,000 ounces at our Samira Hill property in Niger prompted by the review of technical and economical parameters. However, the Board, upon the recommendation of the Human Resources and Corporate Governance Committee, also took into account the discovery of 1,000,000 ounces of initial in-pit inferred resources in the Siou sector at our flagship Mana mine, one of our most important finds ever. After considering these and other factors, the Board, upon the recommendation of the Human Resources and Corporate Governance Committee, decided that this objective had been met at 80%.

The amount of a named executive officer's annual bonus is obtained by applying the following formula: 2012 salary X target bonus expressed as percentage of salary X percentage of corporate objectives achieved. For example, the bonus of the Vice-President, Mining Operations is equal to CAD \$284,524 X 50% X 108% = CAD \$153,643.

However, although our 2012 operational performance was solid, the Board felt that it should take into consideration our disappointing stock performance in 2012 in making its decision regarding the short-term incentive payable to our two chief executive officers. Consequently, the Board, on the recommendation of the Human Resources and Corporate Governance Committee, exercised its discretion to reduce the short-term incentive payable to each of Messrs. La Salle and Desormeaux by 19% and 25%, respectively.

Generally, the target bonus of the named executive officers expressed as a percentage of salary is:

- for Mr. La Salle, in the aggregate as President and Chief Executive Officer and as Executive Vice-Chair of the Board, 65%. In 2012, his bonus was equal to 56% of his salary
- As both Executive Vice-President and Chief Operating Officer and President and Chief Executive Officer, Mr. Desormeaux's target bonus is 90% of his salary. In 2012, his bonus was equal to 73% of his salary
- the annual bonus of the Executive Chair of the Board is not based on meeting our corporate objectives or on predetermined individual objectives. For more information on the Executive Chair of the Board annual bonus, see *Short-term incentive* on page 19. In 2012, his bonus was equal to 84% of his salary
- for the Vice-President, Mining Operations, 50%. In 2012, his bonus was equal to 54% of his salary
- for the Vice-President, Exploration and Mine Geology, 50%. In 2012, his bonus was equal to 48% of his salary
- for the Chief Financial Officer, 35%. In 2012, his bonus was equal to 38% of his salary.

The Board, on the recommendation of the Human Resources and Corporate Governance Committee, approves the annual bonus of each named executive officer. The Board exercises its discretion when approving the annual bonus of named executive officers and may sometime decide to award compensation notwithstanding that a corporate objective or performance goal has not been met. The Board, on the

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<sup>2</sup> Cash margin is a non IFRS financial performance measure with no standard definition under IFRS and is calculated using the average realized selling price and the total cash cost. In turn, total cash cost is a non-IFRS financial performance measure with no standard definition under IFRS and represents the mining operation expenses and government royalties per ounce sold.

recommendation of the Human Resources and Corporate Governance Committee, could also decide to increase an award in the event of an outstanding result or reduce it for reasons that it deems fit, as it did for Messrs. La Salle and Desormeaux as explained above. Messrs. La Salle, Lamarre and Desormeaux are not present when their respective annual bonus is discussed and approved by the independent directors.

The purpose of this component of our executive management compensation philosophy is to ensure that:

- overall compensation is competitive with the gold mining industry
- named executive officers are rewarded for corporate and individual performance.

For the 2013 corporate objectives, the Human Resources and Corporate Governance Committee requested that management review the short-term incentive program of eight gold mining companies and develop additional objectives with respect to the 2013 short-term incentive program. The Board, on the recommendation of the Human Resources and Corporate Governance Committee, approved these objectives which will be disclosed in the circular sent to you in connection with your 2014 Annual general meeting.

#### *Bonus Clawback Policy*

The Board adopted a bonus clawback policy in 2011 allowing the Board to clawback all or a portion of senior management's annual bonus paid in the preceding 24 months in the event of the restatement of the financial statements as a result of fraud, the misappropriation of funds or illegal behavior.

### **3. Long-term Incentive**

The Board is committed behind the principles of:

- tying compensation to performance
- ensuring that employees have a stake in our growth.

The Board also believes that compensation practices are an important component of best corporate governance practices. Accordingly, with a view to have a long term incentive mechanism that would meet SEMAFO's executive management compensation philosophy while being non-dilutive to you, the Board, on the recommendation of the Human Resources and Corporate Governance Committee assisted by Perrault Conseil, recommended to the Board the adoption of the Unit Plan (as defined below), effective January 1, 2011.

Prior to the adoption of the Unit Plan, key employees, officers, directors and consultants received from time to time stock options (*options*) pursuant to either of our stock option plans.

#### *Overview of our incentive plans*

You will find in this section more information on our incentive plans. This is a summary only and you should read the full text of the plans which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com). Since the adoption of the 2010 Plan (as defined below), although the Original Plan (as defined below) remains in effect in respect of outstanding options granted thereunder, all options have been granted pursuant to the 2010 Plan. No further options shall be granted under the Original Plan. Furthermore, with the adoption of the Unit Plan, the Board anticipates that only independent members of the Board will be granted options under the 2010 Plan in the future while current employees, officers (including named executive officers) and consultants will receive restricted share units (*Units*) under the Unit Plan.

#### **THE UNIT PLAN**

The Restrictive Stock Unit Plan (*Unit Plan*) is a non-dilutive long-term incentive plan pursuant to which Units are granted in lieu of actual shares or options to purchase common shares. Neither shareholder nor regulatory approval is required in respect of the Unit plan. The Unit Plan applies to our employees, officers, directors and consultants and those of our subsidiaries. The Unit Plan is administered by the Board.

Each Unit has a value corresponding to a debt of SEMAFO equal in value to one share and credited to a participant's notional account in accordance with the Unit Plan. Pursuant to the Unit Plan, provided that the applicable vesting conditions are met at the end of the performance cycle, the redemption value of a Unit is determined by multiplying the number of Units vested at the end of the performance cycle by the average closing price of our shares in the last five trading days prior to the end of said performance cycle. Units

that have not vested at the end of a performance cycle are automatically cancelled. Units granted under the Unit Plan cannot be assigned, transferred or otherwise disposed of. The Board may amend, suspend or terminate the Unit Plan provided such amendment does not adversely affect the right of a participant. In the event that we pay a cash dividend on our common shares, participants are entitled to receive additional Units. The number of additional Units to be issued corresponds to the cash dividend that the participant would have received if his or her Units had been SEMAFO common shares at the date of payment of the cash dividend.

Units are awarded in relation to a fixed percentage of base salary. Every year, at its January meeting, the Board establishes the value at which Units will be issued during the year. This value equals the average of the closing price of our common shares on the Toronto Stock Exchange for the five trading days ending December 31 of the previous year. Named executive officers are thereafter granted Units based on a percentage of their base salary. For instance, the President and Chief Executive Officer was entitled to receive the equivalent of 240% (now, 225%) of his base salary in Units. For 2012, the value of the Units was fixed at CAD \$6.49 based on the formula explained above. Accordingly, the President and Chief Executive Officer is entitled to receive a number of Units obtained by applying the following formula: base salary X 240% / CAD \$6.49.

Generally, the target percentage of Units that named executive officers are entitled to receive in relation to their respective base salary is:

- while Mr. La Salle was President and Chief Executive Officer, 240% and, as Executive Vice-Chair of the Board, 120%. In 2012, Mr. La Salle received 109,217 Units<sup>3</sup>
- as both Executive Vice-President and Chief Operating Officer and President and Chief Executive Officer, Mr. Desormeaux's target percentage of Units expressed as a percentage of base salary is 225%. In 2012, Mr. Desormeaux received 131,741 Units<sup>3</sup>
- for the Executive Chair of the Board, 200%. In 2012, he received 69,337 Units. Mr. Lamarre renounced all 2012 Units granted to him, which would have amounted to CAD \$291,909
- for the Vice-President, Mining Operations, 150%. In 2012, he received 65,408 Units
- for the Vice-President, Exploration and Mine Geology, 150%. In 2012, he received 60,092 Units
- for the Chief Financial Officer, 115%. In 2012, he received 39,869 Units.

Units granted in 2012 have a three-year performance cycle, will vest on December 31, 2014 and will be paid in 2015.

In the event that a participant ceases to be an employee, officer, director or consultant, he or she shall continue to acquire Units until the end of the performance cycle provided that the applicable vesting conditions are otherwise met. The number of Units vested at the end of the performance cycle is then adjusted proportionally to the number of days worked by the participant during the performance cycle. However, if a participant resigns or is terminated for cause before the end of a performance cycle, all of his or her Units immediately become null and void. Special provisions apply upon retirement of a participant.

#### OPTION PLANS

Options may be awarded by the Board, on the recommendation of the Human Resources and Corporate Governance Committee, at the commencement of employment and annually thereafter or on meeting corporate or individual objectives. From time to time, options may also be awarded to recognize an exceptional accomplishment. In recommending option grants, the Human Resources and Corporate Governance Committee considers the number of options already held by the named executive officer, the level of responsibility, the overall contribution to our business plan and the fulfillment of the corporate objectives. Options awarded to named executive officers and employees usually vest 25% per year on the

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<sup>3</sup> Mr. La Salle was President and Chief Executive Officer until August 8, 2012 at which time he became Executive Vice-Chair of the Board while Mr. Desormeaux became President and Chief Executive Officer (Mr. Desormeaux was previously Executive Vice-President and Chief Operating Officer). The number of Units received by Messrs. La Salle and Desormeaux, respectively, were pro-rated to the number of days in 2012 spent as President and Chief Executive Officer and in their respective other function.



anniversary date of the grant and, depending on the option plan, are valid for a period of five or 10 years, after which they are cancelled. The initial options awarded to independent directors upon joining the Board vest in the same manner but annual options granted thereafter to independent directors, if any, vest immediately. Each option entitles the holder, upon exercise, to one SEMAFO common share.

#### *Options granted in 2012*

In total, 194,521 options were granted to independent directors in 2012. This represents 0,07% of our common shares outstanding on December 31, 2012. These options were all granted pursuant to the 2010 Plan (as defined below).

#### *The 2010 Plan*

On May 10, 2010, the Board adopted a new stock option plan (*2010 Plan*) which was approved at our annual general and special meeting of shareholders held on June 16, 2010. The adoption of the 2010 Plan does not affect options outstanding under our original stock option plan (*Original Plan*).

The 2010 Plan applies to key employees (including named executive officers), directors, consultants and those of our subsidiaries and provides for the grant of non-transferable options to purchase common shares. The Board, upon the recommendation of the Human Resources and Corporate Governance Committee, decides to whom options are granted, as well as the conditions attached to the grant of options, and will generally make all decisions regarding the 2010 Plan, provided that:

- the total number of common shares covered by the options granted to a given optionee does not exceed 5% of the total number of common shares issued and outstanding
- the total number of common shares issuable to insiders of SEMAFO at any time under the 2010 Plan and any other security-based compensation arrangements of SEMAFO does not exceed 10% of the total number of common shares issued and outstanding
- the total number of common shares issued to insiders of SEMAFO during any one-year period under the 2010 Plan and any other security-based compensation arrangements of SEMAFO does not exceed 10% of the total number of common shares issued and outstanding
- the total value of options granted under the 2010 Plan and any other security-based compensation arrangements of SEMAFO to any one non-employee director during any one financial year shall not exceed CAD \$100,000, such total value to be determined by the Board based upon the values of options granted to the non-employee director during that financial year on the date of grant of such options.

Under the 2010 Plan, options have a term and vest as determined by the Board, provided that the term cannot exceed five years. However, the 2010 Plan allows options which would terminate or cease to be exercisable during or immediately following a blackout period, as provided in our securities trading policy, to remain exercisable until the 10<sup>th</sup> business day following the cessation of that blackout period.

The exercise price of an option granted under the 2010 Plan cannot be less than the fair market value of our common shares on the date of grant, which is the closing price of our common shares on the Toronto Stock Exchange (or, if our common shares are not listed on the Toronto Stock Exchange, on the stock exchange on which the common shares are then listed for trading) on the last day of trading preceding the date of grant. The price of an option is payable in full when exercised.

Options granted under the 2010 Plan cannot be assigned, transferred or otherwise disposed of other than by will or by applicable laws of succession.

Generally, the 2010 Plan provides that, if an optionee ceases being an employee, officer, director or consultant, the optionee will only be able to exercise his or her options for a period of 90 days following the date the optionee ceases being an employee, officer, director, or consultant, provided that any unvested option can only be exercised if and when such option vests during such 90-day period. Where an optionee's employment or service ceases as a result of the resignation of, or termination by, the optionee, all of the optionee's unvested options will immediately expire. However, if an optionee's employment or service is terminated for cause, any option granted to such optionee will terminate immediately. The Board may authorize us to enter into an agreement with an optionee which contains terms concerning the effect of the optionee ceasing to be employed with, or providing services to, us which differs from the provisions of the 2010 Plan.

In case of an optionee's death, any vested option at the time of death may be exercised by his or her heirs until the earlier of:

- the fixed expiry date of the options, and
- the date that is 365 days following the death of the optionee.

All unvested options will immediately terminate on the date of death of the optionee.

If we propose to:

- enter into different types of business combinations, such as an amalgamation, merger or consolidation
- sell all or substantially all of our assets (other than to a wholly-owned subsidiary)
- liquidate, dissolve or wind up, or
- in the event that an offer to purchase our common shares is made to all shareholders

the Board may, upon notice, allow the exercise of all options, whether vested or unvested, within 30 days of receiving such notice, and may determine that, after this 30-day period, all unexercised options shall terminate. The Board can, by resolution, advance the date on which an option may vest and become exercisable and, subject to applicable regulatory approval, if any, determine that the provisions of the 2010 Plan concerning the effect of termination of an optionee's employment or service will not apply to an optionee.

The Board may also adjust the number and kind of shares covered by an option as it deems appropriate in the event that our common shares are changed into or exchanged for a different number or kind of shares or other securities, or in the event of a reorganization, amalgamation or consolidation of SEMAFO.

Since its approval, 786,291 options have been granted and 718,491 options are currently outstanding under the 2010 Plan with a weighted average exercise price of CAD \$7.46 and a weighted average remaining contractual term of 3.59 years. 1,271,847 common shares are currently available for issuance under the 2010 Plan representing approximately 0.47% of our common shares outstanding.

The Board may amend, suspend or terminate the 2010 Plan at any time if that does not require your approval and does not adversely affect the rights of optionees.

The Board may make the following amendments to the 2010 Plan without shareholder approval:

- add a provision to, delete a provision from or make an amendment to the 2010 Plan that is necessary to comply with governing laws or requirements of securities regulatory authorities
- an amendment to correct or rectify an ambiguity, an inapplicable provision, an error or omission in the 2010 Plan or in an option agreement
- an amendment to the class of participants eligible to participate under the 2010 Plan
- the addition of a cashless exercise feature, payable in cash or securities, if it provides for a full deduction of the number of common shares covered by the option so exercised from the total number of common shares reserved under the 2010 Plan
- the addition of any form of financial assistance that SEMAFO may provide to the optionees to facilitate the purchase of the underlying common shares, as well as any subsequent amendment made to the provisions providing for such financial assistance
- any other amendment not requiring the approval of our shareholders outlined below.

However, shareholder approval is required for the following amendments to the 2010 Plan:

- an increase in the number of common shares reserved for issuance
- a reduction in the exercise price, either directly, or indirectly by means of the cancellation of an option and the reissue of a similar option
- the extension of the expiry date of an option

- an amendment which permits options to be transferred or assigned, other than for normal estate settlement purposes
- an increase in, or the removal of limits on, the percentage of shares issuable to insiders
- an increase in, or the removal of limits on, the total value of options which may be granted to non-employee directors
- an amendment to the amendment provisions.

#### *The Original Plan*

The Original Plan applies to key employees (including named executive officers), directors, consultants and those of our subsidiaries. It provides for the grant of non-transferable options to purchase common shares. The Board decided to whom options were granted, as well as the conditions attached to the grant of options. The Board, upon recommendation of the Human Resources and Corporate Governance Committee, generally makes all decisions regarding the Original Plan provided that:

- the total number of common shares covered by the options granted to a given optionee does not exceed 5% of the total number of common shares outstanding
- the total number of common shares issuable to insiders at any time and under all other security-based compensation arrangements does not exceed 10% of the total number of common shares outstanding
- the total number of common shares issued to insiders during any one-year period and under all other security-based compensation arrangements does not exceed 10% of the total number of common shares outstanding.

Under the Original Plan, options have a term and vest as determined by the Board, provided that the term cannot exceed 10 years. However, if the expiry date of an option occurs during, or within ten days following the end of a blackout period, as provided in our securities trading policy, the option's expiry date will be extended until the date that is 10 business days following the end of that blackout period.

The exercise price of an option granted under the Original Plan cannot be less than the closing price of our common shares on the Toronto Stock Exchange on the last day of trading preceding the grant or, if no sale of common shares is reported on such stock exchange on that day, the closing price on the Toronto Stock Exchange on the last trading day preceding the day the option was granted during which at least one transaction of a board lot is registered. The price of an option is payable in full when exercised.

Since its inception, 5,231,912 common shares have been issued upon exercise of stock options under the Original Plan representing approximately 1.9% of our common shares outstanding. 990,338 common shares issuable under the Original Plan have been transferred to the 2010 Plan. Currently, up to 8,727,750 common shares may be issued under the Original Plan if outstanding options are exercised, representing less than 3.2% of the number of common shares outstanding with a weighted average exercise price of CAD \$2.57 and a weighted average remaining contractual term of 5.68 years.

The Original Plan provides that, in the event of the termination of an optionee's employment for cause, any option granted to such optionee terminates immediately. If the optionee's employment is terminated on our initiative without cause or as a result of the optionee's resignation, or if the mandate of a director, senior executive or consultant who is an optionee terminates, any vested option of such optionee may be exercised during a period of 90 days following the date of termination. However, during this 90-day period, an unvested option held by an optionee whose employment is terminated without cause or who ceases being a director, senior executive or consultant may be exercised if and when such option vests during such 90-day period. In case of an optionee's death, any vested option at the time of death may be exercised by his or her heirs for 365 days following the death of the optionee.

If we propose to enter into different types of business combinations as described in the summary of the 2010 Plan, or to wind up, or in the event that an offer to purchase our common shares is made to all shareholders, the Board may, upon notice, allow the exercise of all options, whether vested or unvested, within 30 days of receiving such notice, and may determine that after this 30-day period, all unexercised options shall terminate.

The Board can, by resolution, advance the date on which an option may be exercised and, subject to applicable law, determine that the provisions of the Original plan concerning the effect of termination of an optionee's employment will not apply to an optionee.

The Board may amend, suspend or terminate the plan at any time if that does not require your approval or that of securities regulatory authorities and does not adversely affect the rights of optionees. The Board may make the following amendments to the Original Plan without shareholder approval:

- an amendment to the exercise price of an option, unless it consists of a reduction in the exercise price of an option held by an insider
- an amendment to the expiry date of an option, unless the amendment postpones the expiry of an option held by an insider
- add a provision to or delete a provision from the plan or make an amendment thereto that is necessary to comply with the governing laws or requirements of the securities regulatory authorities
- an amendment to correct or rectify an ambiguity, an inapplicable provision, an error or omission in the plan or in an option
- an amendment to the class of participants eligible for the plan
- the addition of a cashless exercise feature, payable in cash or securities, regardless of whether it provides for a full deduction of the number of underlying common shares from the total number of common shares in the plan reserve
- the addition of any form of financial assistance that SEMAFO may provide to the optionees to facilitate the purchase of the underlying common shares, as well as any subsequent amendment made to the provisions providing for such financial assistance
- any other amendment not requiring shareholder approval outlined below.

Shareholder approval is required for amendments which result in an increase in the number of common shares reserved for issuance or a reduction in the exercise price or the extension of the expiry date of an option held by an insider.

The following table gives you information regarding the number of our common shares authorized for issuance under both our option plans on December 31, 2012:

Plan category	Number of securities to be issued upon exercise of outstanding options  (a)	Weighted-average exercise price of outstanding options <sup>1</sup>  (b)		Number of securities remaining available for future issuance under equity (excluding securities reflected in column (a) (c) <sup>2</sup>
		USD	CAD	
Shareholder approved option plans	9,157,271	2.78	2.77	1,610,817

<sup>1</sup> Using a CAD/USD foreign exchange rate of 0.9949

<sup>2</sup> Securities remaining available for future issuance under the 2010 Plan. No more options are granted pursuant to the Original Plan.

## **Additional Compensation of Mr. Benoit La Salle**

Effective at the close of business on August 8, 2012, Mr. Benoit La Salle stepped down from the position of President and Chief Executive Officer and was replaced by Mr. Benoit Desormeaux.

In relation with this management change, we entered into an agreement with Mr. La Salle dated as of August 8, 2012 providing that, each year during the three year period ending August 8, 2015, Mr. La Salle is entitled to:

- A payment of CAD \$354,750
- A grant of Units of a value of CAD \$258,000 (calculated at the time of grant. For example, see note 1, p. 29).

Mr. La Salle is also entitled to a retirement allowance of CAD \$276,000 per year for a five year period. This allowance is payable starting on the later of:

- August 8, 2015
- The date on which Mr. La Salle ceases to be an officer of SEMAFO, or
- At Mr. La Salle's discretion, three years after the latest date between the two dates referred above.

The agreement also provides that any unvested option at the time that Mr. La Salle ceases to be an officer or in the event of a change of control of SEMAFO will accelerate and that Mr. La Salle will be entitled to exercise outstanding options until the earlier of:

- Their expiry date, as provided for in the Original Plan or in the 2010 Plan, as the case may be
- August 8, 2016.

The agreement further provides that in the event of a change of control of SEMAFO, all amounts due to Mr. La Salle will accelerate as well as all unvested Units and that, with respect to Units that would not have been granted to Mr. La Salle at the date of the change of control in accordance with the foregoing, Mr. La Salle will be entitled to a cash payment equal to the value of these Units.

Finally, the agreement provides that Mr. La Salle will be entitled to receive payment of all Units granted to him at the time of their respective payment whether or not he is an officer of SEMAFO.

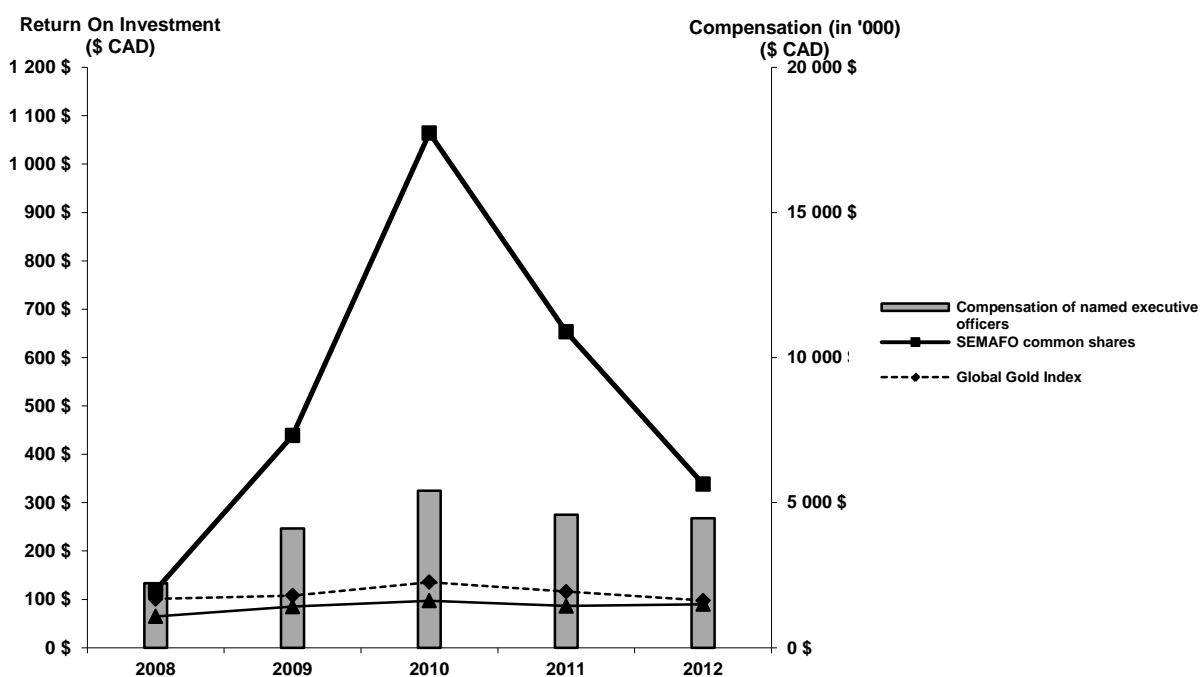
## **Performance Graph<sup>4</sup>**

The following graph compares the performance of our common shares over the last five years to the performance of the S&P/TSX Composite Index<sup>5</sup> and the S&P/TSX Global Gold Index (formerly the S&P/TSX Capped Gold Index). It shows what \$100 invested in our shares, the Composite Index and the Global Gold Index at the end of 2007 would be worth at the end of each of the last five completed financial years.

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<sup>4</sup> The performance graph excludes the additional compensation of Mr. La Salle described above as well as the 2012 Unit grant that Mr. Lamarre renounced

<sup>5</sup> We were first admitted to the S&P/TSX Composite Index on December 21, 2009.



Price	2008-12-31	2009-12-31	2010-12-31	2011-12-31	2012-12-31
SEMAFO common shares	119 \$	439 \$	1 064 \$	653 \$	339 \$
Global Gold Index	101 \$	108 \$	136 \$	116 \$	98 \$
Composite Index	65 \$	85 \$	97 \$	86 \$	90 \$
Compensation of named executive officers	2 229 350 \$	4 110 958 \$	5 407 372 \$	4 588 995 \$	4 463 276 \$

The bar chart above shows the variation of total compensation paid to our named executive officers over the same period. There is no obvious trend between total compensation of the named executive officers and our share performance over the last five years for two main reasons:

- in 2012, we had six named executive officers as we had two acting chief executive officers during the year. As the number of named executive officers is different from year to year, it becomes difficult to establish a trend between the change in named executive officers' compensation and stock performance
- we started as a pure gold exploration company to eventually become a producer. Our stock price and compensation practices reflected that early stage of our operations. As the nature of our operations changed, the skills and expertise that we required from the named executive officers changed as well. Our compensation philosophy has evolved to reflect this fundamental change in our business.

## Summary Compensation Table

The following table indicates the total compensation earned in 2012 by the named executive officers:

Name and principal position	Year	Currency	Salary (\$)	Share-based awards <sup>1</sup> (\$)	Option-based awards (\$)	Annual incentive plan (\$)	All other compensation (\$)	Total compensation (\$)
<b>Benoit La Salle</b> <sup>2</sup> President and Chief Executive Officer (until August 8, 2012)	2012	USD	338,104	459,758	-	188,503	3,011,458	3,997,823
		CAD	338,138	459,804	-	188,522	3,011,759 <sup>3</sup>	3,998,223
	2011	USD	423,241	798,315	-	363,140	-	1,584,696
		CAD	418,585	789,533	-	359,145 <sup>4</sup>	-	1,567,263
	2010	USD	392,765	-	1,204,234	363,798	-	1,960,797
		CAD	404,430	-	1,240,000 <sup>4</sup>	374,603	-	2,019,033
<b>Benoit Desormeaux</b> President and Chief Executive Officer (since August 8, 2012)	2012	USD	391,022	554,575	-	285,055	-	1,230,652
		CAD	391,061	554,630	-	285,084	-	1,230,775
	2011	USD	325,569	575,704	-	272,826	-	1,174,099
		CAD	321,988	569,371	-	269,825 <sup>5</sup>	-	1,161,184
	2010	USD	302,127	-	963,387 <sup>4</sup>	302,127	-	1,567,641
		CAD	311,100	-	992,000 <sup>4</sup>	311,100	-	1,614,200
<b>Jean Lamarre</b> <sup>6</sup> Executive Chair of the Board	2012	USD	222,478	0	-	189,981	-	412,459
		CAD	222,500	0 <sup>7</sup>	-	190,000	-	412,500 <sup>8</sup>
	2011	USD	217,391	341,698	-	187,058	-	746,147
		CAD	215,000	337,939	-	185,000	-	737,939
	2010	USD	194,231	-	481,694 <sup>4</sup>	169,952	-	845,877
		CAD	200,000	-	496,000 <sup>4</sup>	175,000	-	871,000
<b>Patrick Moryoussef</b> Vice-President, Mining Operations	2012	USD	284,496	275,340	-	153,628	-	713,464
		CAD	284,524	275,368	-	153,643	-	713,535
	2011	USD	213,346	271,241	-	167,908	-	652,495
		CAD	210,999 <sup>9</sup>	268,257	-	166,065 <sup>10</sup>	-	645,321
	2010	USD	224,337	-	-	112,423	-	336,760
		CAD	231,000	-	-	115,762	-	346,762
<b>Michel Crevier</b> Vice-President, Exploration and Mine Geology	2012	USD	261,267	252,962	-	126,714	-	640,943
		CAD	261,293	252,987	-	126,727	-	641,007
	2011	USD	223,408	263,366	-	173,142	-	659,916
		CAD	220,956	260,475	-	171,242	-	652,673
	2010	USD	202,437	-	-	111,593	-	314,030
		CAD	208,449	-	-	130,542	-	338,991
<b>Martin Milette</b> Chief Financial Officer	2012	USD	225,119	167,832	-	85,995	-	478,946
		CAD	225,142	167,849	-	86,004	-	478,995
	2011	USD	214,687	168,725	-	99,185	-	482,597
		CAD	212,325	166,869	-	98,094	-	477,288
	2010	USD	196,382	-	240,847 <sup>4</sup>	103,100	-	540,329
		CAD	202,215	-	248,000 <sup>4</sup>	106,162	-	556,377

<sup>1</sup> The value of the 2012 Unit grant corresponds to the grant date fair value of the award calculated using a share price at the time of grant of CAD \$4.21. The share price at the time of grant was equal to the average of the trading price of our common shares on the Toronto Stock Exchange for the five consecutive trading days ending on October 12, 2012. For purposes of financial statements disclosure as at December 31, 2012, the 2012 Unit grant was valued using a share price of CAD \$6.49. Such accounting fair value is adjusted for forfeitures and amortized over the vesting period of the awards, in this case being the period terminating December 31, 2014. The difference between the grant date fair value and the accounting fair value as at December 31, 2012 is CAD \$2.28 per Unit or CAD \$1,084,514 for the 475,664 Units awarded to the named executive officers. The value of the 2011 Unit grant corresponds to the grant date fair value of the award calculated using a share price at the time of grant of CAD \$8.59. The share price at time of grant was equal to the average of the trading price of our common shares on the Toronto Stock Exchange for the five consecutive trading days ending on March 15, 2011. For purposes of financial statements disclosure as at December 31, 2011, the 2011 Unit grant was valued using a share price of CAD \$10.93. Such accounting fair value is adjusted for forfeitures and amortized over the vesting period of the awards, in this case being the period terminating December 31, 2013. The difference between the grant date fair value and the accounting fair value as at December 31, 2011 is CAD \$2.34 per Unit or CAD \$580,769 for the 248,192 Units awarded to the named executive officers in 2011.

<sup>2</sup> Mr. La Salle does not receive any salary or annual incentive for his services. The salary and annual incentive above are fees paid to Groupe Conseils Grou La Salle Inc. as compensation for services rendered by Mr. La Salle; Mr. La Salle does not receive any additional compensation as a director of SEMAFO. Groupe Conseils Grou La Salle Inc. provides services to other companies. Mr. La Salle received 100% of the fees paid to Groupe Conseils Grou La Salle Inc. that are attributable to the services he provided to us. Options and Units are held by Mr. La Salle personally.

<sup>3</sup> This amount reflects the additional compensation of Mr. La Salle as a result of the management change described on page 27. It does not allocate any value to the acceleration of options described therein. For purposes of financial statements disclosure as of December 31, 2012, the additional compensation of Mr. La Salle is valued at CAD \$2,700,000. The variation is due

- to (i) a 4% discount rate given that Mr. La Salle's compensation is payable over a minimum of eight years and (ii) the fact that no base salary, no share-based award and no annual incentive is credited in our December 31, 2012 financial statement to Mr. La Salle for the period from August 8 to December 31, 2012
- 4 Each of Messrs. La Salle, Desormeaux, Lamarre and Millette were granted options on January 12, 2010. In determining the dollar value at that date of these options, we used the Black Scholes method, with the following assumptions:
- (a) Risk-free interest rate: 2.37%
  - (b) Forecasted volatility: 60%
  - (c) Average dividend per share: 0%
  - (d) Expected life: five years.
- 5 The fair market value of each option was established at CAD \$2.48. The CAD/USD foreign exchange rate used for such grant was 1.0297
- 6 During the course of 2012, the 2011 bonus of Mr. Desormeaux was adjusted by CAD \$36,062
- 7 Mr. Lamarre does not receive any salary or annual incentive for his services. The salary and annual incentive indicated above are fees paid to 2856166 Canada Inc. (doing business as Lamarre Consultants) as compensation for the services rendered by Mr. Lamarre; Mr. Lamarre does not receive any additional compensation as a director of SEMAFO. 2856166 Canada Inc. provides services to other companies. Mr. Lamarre received 100% of the fees paid to 2856166 Canada Inc. that are attributable to the services he provided to us. Options and Units are held by Mr. Lamarre personally
- 8 Mr. Lamarre renounced all 2012 Units granted to him, which would have amounted to CAD \$291,909
- 9 Had Mr. Lamarre not renounced his 2012 Unit grant, his total compensation for 2012 would have been CAD \$704,409
- 10 Mr. Moryoussef was on parental leave for part of 2011
- During the course of 2012, the 2011 bonus of Mr. Moryoussef was adjusted by CAD \$64,153.



## Incentive Plan Awards

The following table indicates for each named executive officer all options and Units outstanding on December 31, 2012:

Option-based Awards						Share-based Awards		
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>1</sup> (\$)		Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested <sup>2</sup> (\$)	
		CAD		USD	CAD		USD	CAD
<b>Benoit La Salle</b>	100,000	1.14	Dec. 1, 2014	227,977	228,000	201,791	690,056	690,125
	450,000	2.23	May 31, 2016	535,446	535,500			
	200,000	1.92	April 5, 2017	299,970	300,000			
	900,000	1.58	Sept. 10, 2017	1,655,834	1,656,000			
	500,000	2.03	Aug. 17, 2019	694,931	695,000			
	500,000	4.70	Jan. 11, 2020	-	-			
<b>Benoit Desormeaux</b>	100,000	1.14	Dec. 1, 2014	227,977	228,000	198,501	678,805	678,873
	110,000	2.23	May 31, 2016	130,887	130,900			
	100,000	1.92	April 5, 2017	149,985	150,000			
	600,000	1.35	Feb. 21, 2018	1,241,876	1,242,000			
	400,000	2.03	Aug. 17, 2019	555,944	556,000			
	400,000	4.70	Jan. 11, 2020	-	-			
<b>Jean Lamarre</b>	30,000	2.02	Aug. 17, 2016	41,996	42,000	39,624 <sup>3</sup>	135,500	135,514 <sup>3</sup>
	15,000	1.37	Aug. 30, 2017	30,747	30,750			
	250,000	1.35	June 17, 2018	517,448	517,500			
	15,000	1.40	Jan. 12, 2019	30,297	30,300			
	200,000	2.03	Aug. 17, 2019	277,972	278,000			
	200,000	4.70	Jan. 11, 2020	-	-			
<b>Patrick Moryoussef</b>	37,500	1.92	April 5, 2017	56,244	56,250	96,862	331,235	331,268
	150,000	2.03	Aug. 17, 2019	208,479	208,500			
<b>Michel Crevier</b>	25,000	1.92	April 5, 2017	37,496	37,500	90,633	309,934	309,965
	150,000	2.02	Aug. 17, 2016	209,979	210,000			
	200,000	3.95	Nov. 12, 2019	-	-			
<b>Martin Milette</b>	100,000	1.35	Feb. 21, 2018	206,979	207,000	59,435	203,248	203,268
	100,000	3.95	Nov. 12, 2019	-	-			
	100,000	4.70	Jan. 11, 2020	-	-			

1 Calculated based on the difference between the exercise price of the options and the closing price of our common shares on December 31, 2012 (CAD \$3.42)

2 Calculated by multiplying the number of unvested Units by the closing price of our common shares on December 31, 2012 (CAD \$3.42)

3. Mr. Lamarre renounced all 2012 Units granted to him, which would have amounted to CAD \$291,909.

The following table gives you more information about the number of options exercised, underlying shares sold and value realized by each named executive officer during the financial year ended December 31, 2012:

Name and principal position	Year	Options exercised (#)	Underlying shares sold (#)	Aggregate value realized (\$)		Unexercised options at December 31, 2012	
				USD	CAD	Exercisable	Unexercisable
<b>Benoit La Salle</b> President and Chief Executive Officer	2012	0	N/A	0	0	2,275,000	375,000
<b>Benoit Desormeaux</b> President and Chief Executive Officer	2012	0	N/A	0	0	1,410,000	300,000
<b>Jean Lamarre</b> Executive Chair of the Board	2012	0	N/A	0	0	560,000	150,000
<b>Patrick Moryoussef</b> Vice-President, Mining Operations	2012	0	N/A	0	0	137,500	50,000
<b>Michel Crevier</b> Vice-President, Exploration and Mine Geology	2012	0	N/A	0	0	325,000	50,000
<b>Martin Milette</b> Chief Financial Officer	2012	0	N/A	0	0	225,000	75,000

The following table indicates for each named executive officer the value vested of all awards and the bonus paid during the 2012 financial year:

Name	Option-based awards – Value vested during the year <sup>1</sup> (\$)		Share-based awards – Value vested during the year (\$)		Non-equity incentive plan compensation – value earned during the year (\$)	
	USD	CAD	USD	CAD	USD	CAD
<b>Benoit La Salle</b>	514,949	515,000 <sup>2</sup>	0	0	188,503	188,522
<b>Benoit Desormeaux</b>	1,241,376	1,241,500 <sup>3</sup>	0	0	285,055	285,084
<b>Jean Lamarre</b>	449,705	449,750 <sup>4</sup>	0	0	189,981	190,000
<b>Patrick Moryoussef</b>	80,492	80,500 <sup>5</sup>	0	0	153,628	153,643
<b>Michel Crevier</b>	0	- <sup>6</sup>	0	0	126,714	126,727
<b>Martin Milette</b>	200,980	201,000 <sup>7</sup>	0	0	85,995	86,004

<sup>1</sup> Calculated based on the difference between the exercise price of the options and the closing price of our common shares on the vesting date

<sup>2</sup> There were two different vesting dates (January 12 and August 18, 2012). On January 12, 125,000 options vested. The closing price of our common shares on that date was CAD \$7.21 and the exercise price of these options was CAD \$4.70. On August 18, 125,000 options vested. The closing price of our common shares on August 17 (August 18 was a Saturday) was CAD \$3.64 and the exercise price of these options was CAD \$2.03

<sup>3</sup> There were three different vesting dates (January 12, February 21 and August 18, 2012). On January 12, 100,000 options vested. For more information on the exercise and share price on this date, see note 2 above. On February 21, 150,000 options vested. The closing price of our common shares on that date was CAD \$6.88 and the exercise price of these options was CAD \$1.35. On August 18, 100,000 options vested. For more information on the exercise and share price on this date, see note 2 above

<sup>4</sup> There were three different vesting dates (January 12, June 18 and August 18, 2012). On January 12, 50,000 options vested. For more information on the exercise and share price on this date, see note 2 above. On June 18, 62,500 options vested. The closing price of our common shares on June 18 was CAD \$5.25 and the exercise price of these options was CAD \$1.35. On August 18, 50,000 options vested. For more information on the exercise and share price on this date, see note 2 above

<sup>5</sup> On August 18, 2012, 50,000 options vested. For more information on the exercise and share price on this date, see note 2 above

<sup>6</sup> On November 13, 2012, 50,000 options vested. The closing price of our common shares on that date was CAD \$3.58 and the exercise price of these options was CAD \$3.95

<sup>7</sup> There were three different vesting dates (January 12, February 21 and November 13, 2012). On January 12, 25,000 options vested. For more information on the exercise and share price on this date, see note 2 above. On February 21, 25,000 options vested. For more information on the exercise and share price on this date, see note 3 above. On November 13, 25,000 options vested. For more information on the exercise and share price on this date, see note 6 above.

## **Termination and Change of Control Benefits**

Since 2009, SEMAFO is a party to a termination agreement with each of the President and Chief Executive Officer and the Chief Financial Officer. Under each agreement, the named executive officer is entitled, only in the event that, within 18 months of the change of control of SEMAFO, his employment be terminated or the scope of his responsibilities substantially reduced, to:

- 24 months of base salary and annual bonus at target
- over the same period, retain insurance and other benefits
- accelerated vesting of outstanding options.

If any of these individuals had been terminated on December 31, 2012, the President and Chief Executive Officer would have received approximately CAD \$3,902,900 and the Chief Financial Officer approximately CAD \$823,566. These amounts assume that all unvested options had been exercised and the underlying common shares sold on December 31, 2012, at the closing market price of our common shares on that date (CAD \$3.42).

## **COMPENSATION RISKS**

The Board considers that our compensation philosophy as a whole and each of its components individually are aligned with prudent risk management. In particular, the Board is of the view that our objectives for the short-term and long-term incentives do not encourage named executive officers, executive management or employees to take inappropriate or excessive risks. On the contrary, the Board is of the view that these objectives are aligned with creating both short-term and long-term value. The Board is also of the view that the potential clawback of previously paid short-term incentives acts as a safeguard against inappropriate behavior. Although none of our policies prohibit named executive officers, directors or employees to purchase derivative financial instruments such as forward contracts or equity swap or other financial instruments designed to hedge or offset a decrease in market value of our common shares, neither the Board nor executive management is aware that any such individual has in the past bought or currently holds such instruments.

## **AGGREGATE COMPENSATION VS. CORPORATE PERFORMANCE**

In 2012, the aggregate compensation of all named executive officers was CAD \$4,463,276<sup>6</sup>, a 3% decrease over last year and, had you bought a SEMAFO common share on January 1 and sold it on December 31, your return on investment would have been (48)%<sup>7</sup>.

## **DIRECTORS' COMPENSATION**

Our independent directors' compensation philosophy is designed to attract and retain directors who have the skills, experience and expertise to manage our business and affairs.

To reach this objective, the independent directors' compensation philosophy includes three components<sup>8</sup>:

1. annual retainer
2. attendance fee
3. options.

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<sup>6</sup> Excluding the additional compensation of Mr. La Salle and the 2012 Unit grant that Mr. Lamarre renounced

<sup>7</sup> Excluding the impact of dividends paid on our common shares

<sup>8</sup> Directors are also entitled to the reimbursement of expenses incurred in attending meetings.

The Board believes that these three components allow us to meet the objectives of our independent directors' compensation philosophy and, consequently, independent directors do not receive share-based awards, short or long term incentives (other than options) or other types of compensation.

In 2011, the Human Resources and Corporate Governance Committees requested that management develop a list of publicly-traded gold mining companies comparable to SEMAFO in terms of gold production and market capitalization with a view to compare the compensation of the independent members of the board of these companies with that of SEMAFO. Based on the criteria determined by the Human Resources and Corporate Governance Committee, management selected the following companies:

- |                               |                            |
|-------------------------------|----------------------------|
| • Alamos Gold Inc.            | • Jaguar Mining Inc.       |
| • AuRico Mines                | • Newgold Inc.             |
| • Aurizon Mines Ltd.          | • Nevsun Resources Limited |
| • Avion Gold                  | • Oceana Gold              |
| • Dundee Precious Metals Inc. | • Perseus Mining           |

After review of the findings of management regarding the compensation practices of the foregoing companies, the Human Resources and Corporate Governance Committee recommended to the Board that the following adjustments be made to the independent Board members' compensation, effective July 1, 2011:

- the annual retainer was increased from CAD \$20,000 to CAD \$30,000
- the annual retainer of the Chair of the Human Resources and Corporate Governance Committee was increased from CAD \$5,000 to CAD \$7,500
- the annual retainer of the Chair of the Environmental, Health & Safety and Sustainable Development Committee was increased from CAD \$5,000 to CAD \$6,000.

The Human Resources and Corporate Governance Committee and the Board were of the opinion that it was not necessary to update the 2011 analysis for the 2012 compensation of independent directors. However, during the year, the Executive Chair of the Board brought to the attention of the Chair of the Human Resources and Corporate Governance Committee his concern that there was an imbalance between the compensation of the members of the Audit Committee and that of the members of the Human Resources and Corporate Governance Committee. After due consideration, the Human Resources and Corporate Governance Committee and the Board came to the conclusion that, given the increasing scrutiny of the performance of compensation committees as a result of the public disclosure of named executive officers' compensation, the workload and pressures on compensation committee members was now similar to that of audit committee members. Based on these discussions, the Board, on the recommendation of the Human Resources and Corporate Governance Committee, recommended the following adjustments to the independent directors' compensation, effective October 1, 2012:

- the annual retainer of the Chair of the Audit Committee was increased from CAD \$10,000 to CAD \$12,500
- the annual retainer of the Chair of the Human Resources and Corporate Governance Committee was increased from CAD \$7,500 to CAD \$12,500
- the annual retainer of the members of each of the Audit Committee and the Human Resources and Corporate Governance Committee was established at CAD \$5,000
- the annual retainer of the members of the of the Environmental, Health & Safety and Sustainable Development Committee was established at CAD \$2,500.

All other components of the compensation of the independent members of the Board remained unchanged.

Mr. Jean Lamarre, the Executive Chair of the Board, Mr. Benoit La Salle, the Executive Vice-Chair of the Board and Mr. Benoit Desormeaux, the President and Chief Executive Officer, are not independent directors and do not receive any compensation as Board members.

### **1. Annual retainer**

Each independent director is entitled to an annual retainer of CAD \$30,000. In addition:

- the Lead Director is entitled to an annual retainer of CAD \$15,000
- the Chair of the Audit Committee is entitled to an annual retainer of CAD \$12,500
- the Chair of the Human Resources and Corporate Governance Committee is entitled to an annual retainer of CAD \$12,500
- the Chair of the Environmental, Health & Safety and Sustainable Development Committee is entitled to an annual retainer of CAD \$6,000
- each member of the Audit Committee (except the Chair) is entitled to an annual retainer of CAD \$5,000
- each member of the Human Resources and Corporate Governance Committee (except the Chair) is entitled to an annual retainer of CAD \$5,000
- each member of the Environmental, Health & Safety and Sustainable Development Committee (except the Chair) is entitled to an annual retainer of CAD \$2,500.

### **2. Attendance fee**

Each Board and committee member (with the exception of Messrs. Lamarre, La Salle and Desormeaux) is entitled to an attendance fee of CAD \$1,250 for each Board or committee meeting attended.

### **3. Options**

In 2009, the Human Resources and Corporate Governance Committee recommended that any new independent director be awarded 100,000 options upon becoming a member of the Board. In addition, independent directors should receive 35,000 options per year. Although the Board approved the recommendations of the Human Resources and Corporate Governance Committee, the Board retains the discretion to grant options if, as and when it deems fit.

However, pursuant to the 2010 Plan, the total value of options granted to any one independent director during any financial year shall not exceed CAD \$100,000, as determined by the Board based on the values of options granted to the non-employee director during that financial year on the date of grant of such options. You will find more information on our option plans on pages 22 to 26 of this circular.

The following table illustrates the annual retainer and attendance fee components of our compensation philosophy for independent directors:

	Annual compensation (since October 1, 2012)		Compensation payable to the chairman of a committee and to the lead director (since October 1, 2012)		Attendance fee for each meeting	
	USD	CAD	USD	CAD	USD	CAD
Lead Director	-	-	14,999	15,000	-	1,250
Director	-	30,000	-	-	1,250	1,250
Audit Committee	29,997	5,000 (since October 1, 2012)	12,499	12,500 (since October 1, 2012)	1,250	1,250
Human Resources and Corporate Governance Committee	5,000	5,000 (since October 1, 2012)	12,499	12,500 (since October 1, 2012)	1,250	1,250
Environmental, Health & Safety and Sustainable Development Committee	5,000	2,500 (since October 1, 2012)	5,999	6,000	1,250	1,250

The following table indicates the total compensation earned in 2012 by the independent directors:

Name	Currency	Fees earned (\$)	Option-based awards <sup>1</sup> (\$)	Total (\$)
Terence F. Bowles	USD	31,872	100,141	132,013
	CAD	31,875	100,151	132,026
Pierre Claver Damiba	USD	34,997	100,141	135,137
	CAD	35,000 <sup>2</sup>	100,151	135,151
John LeBoutillier	USD	53,745	100,141	153,886
	CAD	53,750	100,151	153,901
Gilles Masson	USD	41,871	100,141	142,012
	CAD	41,875	100,151	142,026
Lawrence McBrearty	USD	37,246	100,141	137,387
	CAD	37,250	100,151	137,401
Tertius Zongo <sup>3</sup>	USD	24,373	100,118	124,491
	CAD	24,375	100,128	124,503

1 Each of Messrs. Bowles, Damiba, LeBoutillier, Masson and McBrearty was granted 26,149 options on January 23, 2012. In determining the dollar value of these options at that date, we used the Black Scholes method, with the following assumption:

- (a) Risk-free interest rate: 1.31%;
- (b) Forecasted volatility: 60%;
- (c) Average dividend per share: 0%;
- (d) Expected life: five years

The fair market value per option as at January 23, 2012 was established at CAD \$3.83

2 Mr. Damiba decided not to seek reelection and retired from the Board at your May 14, 2012 meeting. Of his fees earned, CAD \$20,000 pertain to his services as Board member for the period between January 1 and May 14, 2012 while CAD \$15,000 pertain to additional compensation he received as consultant after his departure from the Board

3 Mr. Zongo was granted 63,776 options on August 7, 2012. In determining the dollar value of these options at that date, we used the Black Scholes method, with the following assumption:

- (a) Risk-free interest rate: 1.38%;
- (b) Forecasted volatility: 60%;
- (c) Average dividend per share: 0%;
- (d) Expected life: five years

The fair market value per option as at August 7, 2012 was established at CAD \$1.57.

The following table indicates for each independent director all awards outstanding on December 31, 2012:

Option-based Awards					
Name	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options <sup>1</sup> (\$)	
		CAD		USD	CAD
Terence F. Bowles	23,800	8.02	June 2, 2016	-	-
	26,149	7.45	Jan. 22, 2017	-	-
Pierre Claver Damiba	75,000	2.16	May 18, 2019	94,491	94,500
	23,000	4.70	Jan. 11, 2020	-	-
	26,149	7.45	Jan. 22, 2017	-	-
	17,800	10.67	Jan. 24, 2016	-	-
John LeBoutillier	100,000	2.23	May 31, 2016	118,988	119,000
	15,000	2.02	Aug. 17, 2016	20,998	21,000
	15,000	1.37	Aug. 30, 2017	30,747	30,750
	30,000	1.40	Jan. 12, 2019	60,594	60,600
	20,000	2.03	Aug. 17, 2019	27,797	27,800
	35,000	4.70	Jan. 11, 2020	-	-
	17,800	10.67	Jan. 24, 2016	-	-
	26,149	7.45	Jan. 22, 2017	-	-
Gilles Masson	70,000	2.23	May 31, 2016	83,292	83,300
	15,000	2.02	Aug. 17, 2016	20,998	21,000
	30,000	1.40	Jan. 12, 2019	60,594	60,600
	20,000	2.03	Aug. 17, 2019	27,797	27,800
	35,000	4.70	Jan. 11, 2020	-	-
	17,800	10.67	Jan. 24, 2016	-	-
	26,149	7.45	Jan. 22, 2017	-	-
Lawrence McBrearty	50,000	2.16	May 18, 2019	62,994	63,000
	35,000	4.70	Jan. 11, 2020	-	-
	17,800	10.67	Jan. 24, 2016	-	-
	26,149	7.45	Jan. 22, 2017	-	-
Tertius Zongo	63,776	3.05	Aug. 7, 2017	23,595	23,597

<sup>1</sup> Calculated based on the difference between the exercise price of the options and the closing price of our common shares on December 31, 2012 (CAD \$3.42).

The following table gives you more information about the number of options exercised, underlying shares sold and value realized by each independent director during the financial year ended December 31, 2012:

Name and principal position	Year	Options exercised (#)	Underlying shares sold (#)	Aggregate value realized (\$)		Unexercised options at December 31, 2012	
				USD	CAD	Exercisable	Unexercisable
Terence F. Bowles	2012	0	N/A	0	0	32,099	17,850
Pierre Claver Damiba	2012	0	N/A	0	0	116,949	25,000
John LeBoutillier	2012	0	N/A	0	0	258,949	0
Gilles Masson	2012	0	N/A	0	0	213,949	0
Lawrence McBrearty	2012	0	N/A	0	0	103,949	25,000
Tertius Zongo	2012	0	N/A	0	0	0	63,776

The following table indicates for each independent director the value vested of all option-based awards during the 2012 financial year:

Name	Option-based awards – Value vested during the year <sup>1</sup> (\$)	
	USD	CAD
Terence F. Bowles	1,046	1,046 <sup>2</sup>
Pierre Claver Damiba	62,790	62,796 <sup>3</sup>
John LeBoutillier	1,046	1,046 <sup>2</sup>
Gilles Masson	1,046	1,046 <sup>2</sup>
Lawrence McBrearty	62,790	62,796 <sup>3</sup>

<sup>1</sup> Calculated based on the difference between the exercise price of the options and the closing price of our common shares on the vesting date

<sup>2</sup> On January 23, 2012, 26,149 options were granted to each of Messrs. Bowles, Damiba, LeBoutillier, Masson and McBrearty and immediately vested. The exercise price of the options was CAD \$7.45

<sup>3</sup> There were three different vesting dates (January 12, June 18 and August 18, 2012). On January 12, 50,000 options vested. The closing price of our common shares on that date was CAD \$7.21 and the exercise price of these options was CAD \$4.70. On June 18, 62,500 options vested. The closing price of our common shares on June 18 was \$5.25 and the exercise price of these options was CAD \$1.35. On August 18, 50,000 options vested. The closing price of our common shares on August 17 (August 18 was a Saturday) was CAD \$3.64 and the exercise price of these options was CAD \$2.03

<sup>4</sup> There were two different vesting dates (January 23 and May 19, 2012). See note 2 above for more information on the options vested on January 23, 2012. On May 19, 2012, 25,000 options vested and the closing price of our options on May 18, 2012 (May 19 was a Saturday) was CAD \$4.63 and the exercise price of these options was CAD \$2.16



## DIRECTORS' STOCK OWNERSHIP GUIDELINES

The Board has adopted guidelines regarding ownership of common shares by directors. Each director is required within three years following election or appointment to the Board (or, in the case of the Executive Chair, five years) to purchase a certain number of common shares calculated by dividing the amount corresponding to two times his or her annual retainer by the trading price of our common shares on the Toronto Stock Exchange at the time of calculation.

The table below gives you more information on the ownership of common shares by the nominee directors, the number of options they hold and the value of these ownerships:

Name of Director	Common Shares	Options
Terence F. Bowles	11,000 CAD \$28,710	117,743
Benoit Desormeaux	182,400 CAD \$476,064	1,710,000
Jean Lamarre	115,000 CAD \$300,150	710,000
John LeBoutillier	30,000 CAD \$78,300	326,743
Gilles Masson	55,000 CAD \$143,550	281,713
Lawrence McBrearty	15,522 CAD \$40,512	196,743
Tertius Zongo	0	131,570

Together, the nominee directors hold 408,922 common shares and 3,474,512 options. As at March 20, 2013, the total value of these common shares was CAD \$1,067,288.

## DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

We maintain liability insurance for directors and officers. The annual premium paid in respect of such insurance is CAD \$152,875, and the total amount of insurance purchased is CAD \$50,000,000, subject to a deductible amount of CAD \$100,000. The policy contains certain exclusions. No claim has ever been made.

## CORPORATE GOVERNANCE PRACTICES

You will find in Appendix A our Corporate Governance Practices.

## **ADDITIONAL INFORMATION**

Additional information for the financial year ended December 31, 2012 is provided in our consolidated financial statements, in the related management's discussion and analysis of operating results and in our annual information form, where you will also find more information on the Audit Committee and its members in the *Audit Committee Information* section. Copies of these and other documents and additional information relating to SEMAFO are available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and are also available on our website at [www.semafo.com](http://www.semafo.com). You may also obtain them free of charge upon request to our Corporate Secretary at:

SEMAFO Inc.  
100, Alexis-Nihon Blvd. 7th Floor  
Saint-Laurent (Quebec) H4M 2P3  
Canada

The meeting material is sent to both registered and non-registered shareholders. If you are a non-registered shareholder and either us or your agent has sent this material directly to you, your name, address and information about your SEMAFO shares have been obtained from your nominee in accordance with securities laws. By sending this material to you directly, we (and not your nominee) have assumed responsibility for:

- delivering the material to you
- executing your voting instructions.

Please return your voting instructions as specified in the request for voting instructions.

### **SHAREHOLDER PROPOSALS**

You have until December 28, 2013 to submit a shareholder proposal for consideration at the 2014 annual shareholders meeting.

### **WEBSITE**

In order to fulfill our commitment towards the protection of the environment, we decided not to append to this circular various governance documents, such as:

- the Mandate of the Audit Committee
- the Mandate of the Executive Chair of the Board
- the Mandate of the Lead Director
- the Mandate of the President and Chief Executive Officer.

You can find all of these documents and other information regarding SEMAFO on our website at [www.semafo.com](http://www.semafo.com). All references to our website are for your information only and the information it contains is not part of this circular.

### **DIRECT REGISTRATION SYSTEM**

You have the possibility to avail yourself of the Direct Registration System (known as *DRS*). DRS allows you to own your SEMAFO shares directly with Computershare rather than in the name of a nominee or of holding a physical share certificate. For more information on the DRS, please contact Computershare at 514-982-7555 or toll free at 1 800 564-6253.

## APPENDIX A – CORPORATE GOVERNANCE PRACTICES

The following compare our governance practices against the requirements of National Policy 58-201-*Corporate Governance Guidelines* which is an initiative of the *Canadian Securities Administrators (CSA Governance Guidelines)*. We are regularly adjusting our governance practices as regulatory changes and our context evolve.

### CSA Governance Guidelines

### SEMAFO's Practices

#### 1. Board of Directors--

- (a) Disclose the identity of the directors who are independent.

The Board has determined, after reviewing the roles and relationships of each director, that:

- Terence F. Bowles
- John LeBoutillier
- Gilles Masson
- Lawrence McBrearty
- Tertius Zongo

are all independent. In order to make that determination, the Board obtained information from the nominee directors by way of a questionnaire.

- (b) Disclose the identity of directors who are not independent, and describe the basis of that determination.

Each of Jean Lamarre and Benoit Desormeaux are members of our management team. Mr. Lamarre is the Executive Chair of the Board and Mr. Desormeaux is the President and Chief Executive Officer. As members of management, Messrs. Lamarre and Desormeaux are not independent.

- (c) Disclose whether or not a majority of the directors are independent.

Five of the seven nominee directors are independent, namely:

- Terence F. Bowles
- John LeBoutillier
- Gilles Masson
- Lawrence McBrearty
- Tertius Zongo

- (d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

John LeBoutillier sits on the board of directors of Industrial Alliance, Insurance and Financial Services Inc. (TSX – IAG), Mazarin Inc. (NEX – MAZ.H), Asbestos Corporation Limited (NEX – AB.H) and Stornoway Diamond Corporation (TSX – SWY).

Gilles Masson sits on the board of Malaga Inc. (TSX – MLG), Royal Nickel Corporation (TSX – RNX) and Eacom Timber Corporation (TSX – V – ETR).

- (e) Disclose whether or not the independent directors hold regular scheduled meetings at which members of management are not in attendance. Disclose the number of meetings held during the preceding 12 months.

Independent directors meet *in camera* at the end of each meeting of the Board and Board committees. The Lead Director chairs all *in camera* sessions of the Board.

In 2012, seven *in camera* sessions took place out of a total of seven Board meetings.

- (f) Disclose whether or not the chair of the board is an independent director, disclose the identity of the independent chair, and describe his or her role and responsibilities.

Mr. Lamarre served as Chair of the Board from May 29, 2000 to June 18, 2008. Due to all the responsibilities and duties performed by Mr. Lamarre, the Board appointed him Executive Chair on June 18, 2008. Consequently, the Board appointed Mr. John LeBoutillier as Lead Director. The principal roles and responsibilities of the Executive Chair are:

- Chair Board and shareholders meetings
- Attend meetings of the committees of the Board, if convenient
- Ensure that a strategic plan is communicated to the Board and that all material issues are approved by the Board on a timely basis
- Plan and organize Board activities.

The principal roles and responsibilities of the Lead Director are:

- Foster an environment which allows the directors to function independently of management
- Work with the Executive Chair of the Board to coordinate the setting of the agenda and Board meetings, and make recommendations to the Executive Chair of the Board on the conduct of meetings
- Chair and steer the meetings of independent directors, including *in camera* sessions
- Ensure that the independent directors have sufficient opportunities to meet without any member of management present
- Be available to directors who wish to discuss issues that cannot be discussed with the Executive Chair of the Board
- In the absence of the Executive Chair of the Board, chair Board meetings.

You will find the respective Mandates of the Executive Chair and of the Lead Director on our website at [www.semafo.com](http://www.semafo.com).

- (g) Disclose the attendance record of each director for all board and committee meetings held since the beginning of the most recently completed financial year.

You will find this information on page 11 .

2. **Board Mandate**--Disclose the text of the board's written mandate.

You will find the Board mandate in Appendix B.

3. **Position Descriptions**--

- (a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee.

The Board has adopted a Mandate for the Executive Chair of the Board which you will find on our website at [www.semafo.com](http://www.semafo.com). The Board has also adopted written position descriptions for the Chair of each Board committee. You will find these descriptions in the Mandate of each such committee. The Mandate of the Human Resources and Corporate Governance Committee is in Appendix C while the Mandate of every other Board committee is on our website.

- (b) Disclose whether or not the board and chief executive officer have developed a written position description for the chief executive officer.

The Board, together with the President and Chief Executive Officer, have developed and adopted a Mandate for the President and Chief Executive Officer. His tasks include:

- Convey our values throughout the organization and to applicable stakeholders
- Oversee the strategic plan and development initiatives
- Assume the leadership of an efficient and qualified team of executives to ensure the diligent execution of the strategic plan
- Oversee and evaluate executive performance and report to the Human Resources and Corporate Governance Committee in respect thereof
- Ensure that the Board is kept abreast of all material business developments.

You can find the Mandate of the President and Chief Executive Officer on our website at [www.semafo.com](http://www.semafo.com).

4. **Orientation and Continuing Education**--

- (a) Briefly describe what measures the board takes to orient new members regarding
- i. the role of the board, its committees

The Human Resources and Corporate Governance Committee is responsible for ensuring that an orientation program is established for new directors. Upon joining the Board, new directors receive documentation related to their role as director, a schedule of the

- and its directors, and
- ii. the nature and operation of the issuer's business.

regular meetings of the Board and of its committees for the year, the mandate of the Board and of each Board committee and that of each of the Executive Chair of the Board, the Lead Director and the President and Chief Executive Officer, our corporate policies, an organization chart as well as a list of our mining properties and relevant related information. This information is periodically updated.

- (b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors.

The Human Resources and Corporate Governance Committee is responsible for providing Board members with continuing education opportunities. At every meeting of the Board, directors have an opportunity to hear presentations by executive management on various topics regarding our operations. Furthermore, Board members have in the past travelled to Africa where they visited our operations area and were provided with in-depth descriptions of all aspects of our operations and met with geologists, engineers and employees. On these occasions, directors also got first-hand knowledge of our sustainable development initiatives. These visits increase the directors' knowledge of our operations and the Board is of the view that good governance mandates that it meet approximately every two years in Africa to have on-hand knowledge of on-site developments. Furthermore, the members of the Environmental, Health & Safety and Sustainable Development Committee will from now on, to the extent possible, meet every year in Africa and tour our mining sites to adequately fulfill the mandate of this committee. For more information on continuing education initiatives in 2012, see page 12.

## 5. Ethical Business Conduct--

- (a) Disclose whether or not the board has adopted a written code for its directors, officers and employees. If the board has adopted a written code:
- disclose how an interested party may obtain a copy of the written code;
  - describe how the board monitors compliance with its code; and
  - provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year

In 2012, the Board, upon the recommendation of the Human Resources and Corporate Governance Committee, adopted a new Code of conduct. The Code of conduct is applicable to directors, management and non-unionized employees. Ever since its enactment, new employees have been asked to read and sign the code. Board members and employees will be asked every year to read and sign the Code of conduct. The Human Resources and Corporate Governance Committee monitors compliance with the Code of conduct which was filed on SEDAR at [www.sedar.com](http://www.sedar.com) and is available on our website at [www.semafo.com](http://www.semafo.com).

that pertains to any conduct of director or executive officer that constitutes a departure from the code.

No departure from the Code of conduct occurred in 2012.

- (b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

These transactions, if any, would be approved only by directors present at the meeting convened for that purpose, and the director having such an interest would not be present during the deliberations concerning the proposed transaction and would not vote on the matter. No such transaction or process took place in 2012, with the following exceptions:

- Messrs. Lamarre, La Salle and Desormeaux were not present when their annual compensation was discussed and did not vote on these matters
- Mr. La Salle was not present and did not vote on the compensation granted after he stepped down as President and Chief Executive Officer.

#### 6. Nomination of Directors--

- (a) Describe the process by which the board identifies new candidates for board nominees.
- (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors.
- (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.

The Human Resources and Corporate Governance Committee, which is composed entirely of independent directors, is responsible for proposing to the Board nominees to the position of director. To this end, the members of this committee refer, in particular, to a document titled "Personal Qualifications", which was adopted by the Board in November 2002. This document defines the competencies and skills required of directors and determines the profile sought. As the case may be, the Human Resources and Corporate Governance Committee could also hire a recruiting firm to seek out candidates that have the skills, experience and expertise required to join the Board.

You will find the Mandate of the Human Resources and Corporate Governance Committee in Appendix C.

The Board has adopted a policy regarding majority voting for the election of directors. The policy is described under "Nominee Directors – Policy on Majority Voting" on page 7 of this circular. The Board is of the view that, at the current stage of our development, a retirement policy for its members is not appropriate.

**7. Compensation--**

- (a) Describe the process by which the board determines the compensation for your company's directors and officers.

The Human Resources and Corporate Governance Committee is entrusted with making recommendations to the Board in this regard. Since 2009, the Human Resources and Corporate Governance Committee has worked from time to time with an independent consultant to help in this process.

In 2010, Perrault Conseil assisted the Human Resources and Corporate Governance Committee with the development of the Unit Plan adopted by the Board effective January 1, 2011. You will find more information on the Unit Plan on pages 21 and 22.

In 2011, the Board asked the Human Resources and Corporate Governance Committee to review the compensation of independent directors which had been established in 2009 with the help of Perrault Conseil. To this end, the Human Resources and Corporate Governance Committee asked management to establish a new list of gold mining companies comparable to SEMAFO in terms of gold production and market capitalization. The Human Resources and Corporate Governance Committee also asked management to analyze the compensation of the board members of these companies compared to that of SEMAFO Board members. Based on these analyses, the Board, upon the recommendation of the Human Resources and Corporate Governance Committee, adopted adjustments to the compensation of independent directors effective July 1, 2011. You will find the list of these comparable gold companies on page 34.

The Human Resources and Corporate Governance Committee and Board were of the opinion that it was not necessary to update the 2011 analysis for the 2012 compensation of independent directors. However, during the year, the Executive Chair of the Board brought to the attention of the Chair of the Human Resources and Corporate Governance Committee his concern that there was an imbalance between the compensation of the members of the Audit Committee and that of the members of the Human Resources and Corporate Governance Committee. After due consideration, the Human Resources and Corporate Governance Committee and the Board came to the conclusion that, given the increasing scrutiny of the performance of compensation committees as a result of the public disclosure of named executive officers' compensation, the workload and pressures on



	<p>compensation committee members was now similar to that of audit committee members. Based on these discussions, the Board, on the recommendation of the Human Resources and Corporate Governance Committee, recommended adjustments to the independent director's compensation.</p> <p>For more information as to the Board's determination process regarding the directors' and named executive officers' compensation as well as with respect to the 2012 adjustments mentioned above, see pages 18 to 22 and pages 33 and 34.</p>
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors.	<p>The Human Resources and Corporate Governance Committee also assumes the role of a compensation committee and is composed entirely of independent directors.</p>
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	<p>You will find the Mandate of the Human Resources and Corporate Governance Committee in Appendix C.</p>
(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state the fact and briefly describe the nature of the work.	<p>In 2009, Perrault Conseil, a compensation consultant, was retained to assist in determining compensation for the named executive officers and independent directors. The mandate of Perrault Conseil was to analyze the positioning of the compensation of the named executive officers and that of independent directors.</p> <p>In 2010, Perrault Conseil assisted the Human Resources and Corporate Governance Committee with the development of the Unit Plan adopted by the Board effective January 1, 2011. For more information on the Unit Plan, see pages 21 and 22.</p> <p>In 2012, the Human Resources and Corporate Governance Committee retained the services of Perrault Conseil to assist this committee with respect to:</p> <ul style="list-style-type: none"> <li>• Assessing the global compensation of the named executive officers</li> <li>• Assessing the long-term incentive components of the named executive officers' compensation</li> <li>• Assessing the compensation of Mr. Benoit La Salle in connection with the appointment of Mr. Benoit Desormeaux as President and Chief Executive</li> </ul>

Officer.

Perrault Conseil was paid approximately CAD \$63,000 in 2012 for its services.

8. **Other Board Committees--** If the board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function.

The Board also has an Environmental, Health & Safety and Sustainable Development Committee. The Environmental, Health & Safety and Sustainable Development Committee is composed of three independent directors. You will find the mandate of this committee on our website at [www.semafo.com](http://www.semafo.com).

9. **Assessments--** Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution.

The Human Resources and Corporate Governance Committee monitors the efficiency of the Board and its committees. The Executive Chair of the Board and the Lead Director meet in private on a regular basis to discuss the performance and effectiveness of the independent members of the Board, the Board itself and the committees of the Board. The Executive Chair also regularly discusses privately these issues with individual Board members. All of these discussions are reflected in the annual recommendation by the Human Resources and Corporate Governance Committee to the Board with respect to nominee directors. The Human Resources and Corporate Governance Committee also monitors every year the result of nominee director's election in accordance with our Majority Voting Policy. For more information on this policy, see page 7.

**APPENDIX B –  
MANDATE OF THE BOARD OF DIRECTORS**

**1. Duties**

The Board of Directors (the “Board”) of Semafo Inc. (the “Corporation”) is responsible for the stewardship of the Corporation and for supervising the management of its business and affairs.

In fulfilling its duties, the Board oversees:

Strategic Planning

- The Corporation’s strategic direction and, on an annual basis, reviews and approves its strategic and business plans
- The Corporation’s annual financial objectives and, on an annual basis, reviews and approves its budgets and execution plans.

Operations

- The Corporation’s operations, including comparing the objectives identified in the annual strategic and business plans and financial budgets to actual results with the view of ensuring that its assets are efficiently managed.

Risks

- The identification of the principal business risks and the establishment of appropriate policies and risk management systems aimed at managing these risks.

Executive Management

- The appointment, assessment, compensation and succession planning of executive management.

Integrity

- The integrity of the Corporation’s internal controls, information and financial management systems
- The implementation of policies and systems aimed at increasing accountability, ensuring compliance with applicable laws and with auditing and accounting principles
- The implementation of policies and systems aimed at ensuring the respect of the business conduct standards in all countries in which the Corporation operates.

Governance

- The Corporation’s approach to corporate governance
- The implementation of policies and systems aimed at accurate, timely and full public disclosure of information material to the Corporation.

Environment and Sustainable Development

- The implementation of policies and systems aimed at positioning the Corporation as a responsible mining Corporation in environmental, health and safety and sustainable development matters in the countries in which it operates.

Financial Reporting and Material Transactions

- And approves the “Annual Information Form”, the quarterly and annual financial statements and related “Management’s Discussion and Analysis of financial and operating results” as well as press releases
- And approves material transactions out of the ordinary course of business.

## **2. Board Committees**

In fulfilling its duties, the Board may from time to time establish committees of the Board, delegate responsibilities to, appoint Board members of as well as a Chair for each such committee. The Board's current committees are the Audit Committee, the Human Resources and Corporate Governance Committee and the Environmental, Health & Safety and Sustainable Development Committee.

## **3. Assessment of the Board and Board Committees' Efficiency**

The Board shall assess on an annual basis its own efficiency as well as that of each Board Committee. The Board may request the Human Resources and Corporate Governance Committee to assist the Board in this regard.

## **4. Composition**

The Board is composed of a minimum of three directors and of a maximum of 15 directors.

A majority of directors shall be independent directors as prescribed by the Canadian Securities Administrators and determined by the Board.

## **5. Chair**

The Chair of the Board shall be an independent director or, as the case may be, an independent director shall be appointed as Lead Director.

The role of the Chair of the Board (or the Executive Chair of the Board, as the case may be) and of the Lead Director (if any) is set forth in their respective Mandate.

## **6. Meetings**

The Board meets at least five times a year at locations, dates and times it determines.

The Chair of the Board may convene a meeting at any time.

## **7. Organization**

The Corporation's secretary acts as Board secretary.

Before each Board meeting, the secretary distributes the agenda and the information required for discussion and decision-making purposes. The secretary records the minutes of each Board meeting in a register kept for this purpose.

## **8. Quorum and Decisions**

The Board quorum is the majority of directors.

Subject to the quorum being reached, the Board makes its decisions by a majority of the votes cast by attending directors.

## **9. Outside Advisors**

In fulfilling its duties, the Board may retain legal, accounting or other advisors.

**APPENDIX C –  
MANDATE OF THE HUMAN RESOURCES AND  
CORPORATE GOVERNANCE COMMITTEE**

**1. Duties**

The role of the Human Resources and Corporate Governance Committee (the “Committee”) of SEMAFO Inc. (the “Corporation”) is to assist the Board of Directors (the “Board”) in its oversight of:

- The appointment, assessment, compensation and succession planning of executive management
- The Corporation’s approach to corporate governance
- The establishment of policies and systems aimed at accurate, timely and full public disclosure of information material to the Corporation.

In fulfilling its duties, the Committee:

Human Resources

- Reviews and recommends to the Board for approval the adequacy and form of compensation of Board members to ensure that their compensation realistically reflects their risks and responsibilities
- Reviews and recommends to the Board for approval the overall compensation strategy and yearly compensation of executive management
- Recommends to the Board for approval grants under the Corporation’s stock option plans
- Recommends to the Board for approval grants under the Corporation’s Restricted Share Unit Plan
- If so requested by the Board, assesses the efficiency of the Board and of Board committees
- Recommends new candidates for the position of director to the Board, as appropriate
- Orients new Board members regarding the role of the Board and of its committees and the Corporation’s business
- Provides Board members with continuing education opportunities.

Corporate Governance

- Develops, reviews and recommends to the Board for approval the Corporation’s corporate governance principles, processes and policies
- Reviews and recommends to the Board for approval the Management Proxy Circular prepared in connection with shareholders’ meetings.

**2. Composition**

The Committee is composed of at least three Corporation directors appointed by the Board for a mandate of one year or for any other period set by the Board.

All Committee members shall be independent directors as prescribed by the Canadian Securities Administrators and determined by the Board.

**3. Chair**

The Chair of the Committee is appointed by the Board. In the event of the Chair’s inability to attend a meeting, the Committee members shall appoint a chair for such meeting.

The Chair of the Committee:

- Chairs all Committee meetings
- Ensures the fulfillment of the Committee mandate
- Reports on Committee activities to the Board

- Ensures that this mandate is reviewed annually by the Committee members to recommend to the Board any appropriate changes.

#### **4. Meetings**

The Committee meets at least twice a year at locations, dates and times it determines.

The Chair of the Committee may convene a meeting at any time.

#### **5. Organization**

The Corporation's secretary acts as Committee secretary.

Before each Committee meeting, the secretary distributes the agenda and the information required for discussion and decision-making purposes. The secretary records the minutes of each Committee meeting in a register kept for this purpose.

#### **6. Quorum and Decisions**

The Committee quorum is the majority of Committee members.

Subject to the quorum being reached, the Committee makes its decisions by a majority of the votes cast by attending members.

#### **7. Outside Advisors**

In fulfilling its duties, the Committee may retain legal, accounting or other advisors.

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