MOVING FORWARD

SECOND QUARTER

FOR THE PERIOD ENDED
JUNE 30, 2013

SEMAFO

INTERNATIONAL EXPERTISE®
HUMAN ADVOCACY

SEMAFO (the "Corporation") is a Canadian-based mining company with gold production and exploration activities in West Africa. The Corporation and its subsidiaries currently operate three gold mines: the Mana Mine in Burkina Faso, the Samira Hill Mine in Niger and the Kiniero Mine in Guinea. SEMAFO is committed to evolve in a conscientious manner to become a major player in its geographical areas of interest. SEMAFO's strategic focus is to maximize shareholder value by effectively managing its existing assets as well as pursuing organic and strategic growth opportunities.

This Management's Discussion and Analysis ("MD&A") provides an analysis to enable readers to assess material changes in financial condition and results of operations for the three-month and six-month periods ended June 30, 2013 compared to the corresponding period last year. This MD&A, prepared as of August 6, 2013, is intended to complement and supplement our Condensed Interim Consolidated Financial Statements (unaudited) (the "financial statements") as at June 30, 2013. Our financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing our results of operation and our financial performance.

Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in US dollars, unless otherwise specified.

This MD&A contains forward-looking statements. Particular attention should be given to the risk factors described in the "Risks and Uncertainties" section and to the "Forward-Looking Statements" section of this document.

Where we say "we", "us", "our", the "Corporation" or "SEMAFO", we mean SEMAFO Inc. or SEMAFO Inc. and/or one or more or all of its subsidiaries, as it may apply.

1. Financial and Operating Highlights

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012[6]	2013	2012[6]
Gold ounces produced	**58,600**	60,500	**118,300**	121,400
Gold ounces sold	**51,900**	60,900	**117,300**	119,600
(in thousands of dollars, except amounts per ounce, per tonne and per share)				
Revenues – Gold sales	**71,136**	98,376	**177,191**	198,777
Operating income (loss)	**(31,460)**	12,102	**(33,135)**	50,146
Net income (loss) attributable to equity shareholders	**(46,475)**	(17,515)	**(53,765)**	10,591
Basic earnings (loss) per share	**(0.17)**	(0.06)	**(0.20)**	0.04
Diluted earnings (loss) per share	**(0.17)**	(0.06)	**(0.20)**	0.04
Adjusted operating income[1]	**16,066**	29,100	**49,491**	67,144
Adjusted net income attributable to equity shareholders[1]	**12,787**	19,403	**33,577**	47,509
Adjusted basic earnings per share[1]	**0.05**	0.07	**0.12**	0.17
Cash flow from operating activities[2]	**24,280**	42,600	**63,078**	81,753
Operating cash flow per share[3]	**0.09**	0.16	**0.23**	0.30
Average realized selling price (per ounce)	**1,371**	1,615	**1,511**	1,662
Cash operating cost (per ounce produced)[4]	**704**	685	**699**	652
Cash operating cost (per tonne processed)[4]	**34**	36	**34**	35
Total cash cost (per ounce sold)[5]	**752**	767	**773**	738

1 Adjusted operating income, adjusted net income attributable to equity shareholders and adjusted basic earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures" section of this MD&A, note 18.

2 Cash flow from operating activities excludes changes in non-cash working capital items.

3 Operating cash flow per share is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A, note 18.

4 Cash operating cost is a non-IFRS financial performance measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-IFRS financial performance measures" section of this MD&A, note 18.

5 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.

6 Amounts have been restated for the adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. Please refer to note 4 of the financial statements.

A Word from the CEO[1]

Early in 2013, we alluded to the economic turbulence that we were anticipating during the year and thus far, it has effectively been very challenging.

Financially, it was a very difficult quarter with a significant 25% drop in the price of gold in less than three months. This has evidently affected our financial results and, at the same time, occasioned numerous industry-wide challenges. We appreciate that although our belief is that a number of fundamental factors supporting the price of gold remain firmly in place, we cannot solely rely on the gold price to generate shareholder value. This was evidenced when, in April, we saw the price of gold fall to $1,380 per ounce and in June, gold plummeted yet again to $1,192 per ounce.

Clearly, we have made a number of difficult decisions for our organization recently, such as no longer investing long-term money in our non-core assets and reducing our corporate office headcount by 20%. Thus far, we are satisfied with our efforts and progress to improve our costs and operating efficiencies throughout our operations.

We firmly believe that value creation is generated through the creation of future cash flow and our path is clearly set to focus on the production of quality ounces at our Mana Mine.

During the quarter we generated cash flow from operating activities of $24.3 million, representing a decrease of $18.3 million compared to the same period last year. This decrease is almost entirely due to the drop in the market price of gold, which is reflected in the $244-per-ounce decline of our average realized selling price compared to the second quarter of 2012.

Operationally, the second quarter was a positive one. We achieved guidance with a total production of 58,600 ounces of gold. Total cash cost came in below guidance at $752 per ounce. The second quarter validated our optimization efforts at Mana where, owing to activities undertaken in combination with a lower strip ratio, our cash operating cost per ounce produced decreased by 9% to $604 per ounce. Our cash operating cost per tonne processed fell by 18% to $36 per tonne compared to $44 per tonne in the second quarter of 2012.

On the exploration side, the table has been set and as part of our value creation strategy, our focus remains on the high grade Siou Sector. Infill drilling has been completed, demonstrating good continuity and extending the mineralization. Preparation of the Siou Sector reserves and resources estimates is progressing according to plan and is scheduled for September 2013.

As stated earlier in the year, as part of our focus on quality ounces, our top priority is to fast-track the development of the Siou Sector. Precedence was placed on drilling the near surface portion of the deposit, down to approximately 150 meters. In the second quarter additional steps were taken to accomplish this goal with the advancement and completion of the drilling program on the Siou south sector, which was originally scheduled for the fourth quarter of 2013. Results confirmed continuity, grade and extension of the mineralization further to the south. The completion of this program in the second quarter will allow us to include these results in our upcoming reserves and resources update.

We have completed and filed the Siou environmental impact study and are on track to begin the permitting process in the fourth quarter of 2013. Based on the estimated time required to acquire the necessary permits, we expect to be in a position to begin stripping activities in the third quarter of 2014, three months earlier than originally scheduled.

Earlier in the year, we made reference to the consideration of strategic alternatives for our non-core assets, the Samira Hill and Kiniero mines. The recent drop in the price of gold has further impacted these two properties, which continue to be extremely sensitive to additional downturns in the gold price or technical parameters. Accordingly, the Corporation recorded a non-cash impairment of $32.8 million as we have decided to wind down operations to an eventual care and maintenance status at our Kiniero mine in Guinea during the second half of the year. The drop in gold price also led to an additional non-cash impairment charge of $14.7 million in this second quarter relating to the Samira Hill mine.

[1] Certain statements in *A Word from the CEO* are forward-looking. For more information on forward-looking statements, see note 20.

A Word from the CEO[1] (continued)

In July, we entered into a heads of agreement for the sale of our interest in the Samira Hill mine. Several conditions will have to be met prior to the closing of the transaction, which is scheduled to take place prior to September 30, 2013. Once again, these decisions are in keeping with our Corporation's strategy, which is focused on cash flow, not solely on the number of ounces produced.

We made considerable progress on the implementation of our strategic plan in the second quarter of 2013. Our focus on quality ounces is clear with the advancement of the Siou Sector and our decisions regarding non-core assets. We have cut our corporate overhead and anticipate further reductions in expenditures as a result of an ongoing company-wide review with the objective to streamline the organization, while maintaining efficiency.

Accordingly, we will continue to focus on disciplined capital allocation and optimization programs. Today, we are pleased with what we have accomplished throughout the entire organization and we intend to make sure that we remain focused on our priorities.

Benoit Desormeaux, CPA, CA
President and Chief Executive Officer

[1] Certain statements in *A Word from the CEO* are forward-looking. For more information on forward-looking statements, see note 20.

SECOND QUARTER 2013 IN REVIEW

- A 25% decline in the price of gold during the quarter, from $1,598 to $1,192, significantly impacting our financial results
- Gold production of 58,600 ounces, compared to 60,500 ounces in the same period in 2012
- Solid operational performance with production and total cash cost in line with guidance after six months
- Gold sales of $71.1 million, a 28% decrease compared to the same period in 2012
- Non-cash impairment charges of $67.1 million on non-core assets
- Operating loss of $31.5 million, compared to operating income of $12.1 million for the same period in 2012
- Net loss attributable to equity shareholders of $46.5 million or a loss of $0.17 per share compared to a net loss attributable to equity shareholders of $17.5 million or a loss of $0.06 per share for the same period in 2012
- Adjusted operating income[1] of $16.1 million compared to $29.1 million for the same period in 2012
- Adjusted net income[1] attributable to equity shareholders of $12.8 million compared to $19.4 million for the same period in 2012
- Cash flow from operating activities[2] of $24.3 million or $0.09 per share compared to $42.6 million or $0.16 per share for the same period in 2012
- Delineation drilling at Siou completed and on track to issue mineral reserves and resources estimate in the third quarter of 2013
- Drilling of the Siou south extension completed ahead of schedule to be included in the mineral reserves and resources estimate in the third quarter of 2013

[1] Adjusted operating income and adjusted net income attributable to equity shareholders are non-IFRS financial performance measures with no standard definition under IFRS and exclude non-recurring items. See the "Non-IFRS financial measures" section of this MD&A, note 18.
[2] Cash flow from operating activities excludes changes in non-cash working capital items.

2. Key Economic Trends[1]

Price of Gold

During the second quarter of 2013, the price of gold, based on the London Gold Fix PM, fluctuated from a high of $1,584 to a low of $1,192 per ounce. The average market gold price in the second quarter of 2013 was $1,415 per ounce compared to $1,609 per ounce for the same period in 2012, representing a decrease of $194 or 12%.

In the second quarter of 2013, our average realized selling price was $1,371 per ounce compared to the average London Gold Fix of $1,415 per ounce.

	2013		2012	
(in dollars per ounce)	Q2	Q1	Q2	Q1
Average London Gold Fix	**1,415**	1,632	1,609	1,691
Average realized selling price	**1,371**	1,619	1,615	1,710

Cost Pressures

The Corporation has been affected by industry-wide pressures on development and operating costs. Since our mining activities are energy intensive, a change in fuel price can have a significant impact on our operations and associated financial results. As a benchmark for fuel costs, the Brent Crude price averaged $103 per barrel in the second quarter of 2013 compared to $109 per barrel in the same period in 2012.

Foreign Currencies

Our mining operations and exploration activities are carried out in West Africa. Accordingly, portions of our operating costs and capital expenditures are denominated in foreign currencies, in particular the Euro.

In the second quarter of 2013, the US dollar was weaker relative to the Euro when compared to the same period in 2012. Therefore, in the second quarter of 2013, the foreign exchange fluctuation negatively impacted our cash operating cost[2].

[1] These statements are forward looking. For more information on forward looking statements, see note 20.

[2] Cash operating cost is a non-IFRS financial performance measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-IFRS financial performance measures" section of this MD&A, note 18.

3. Consolidated Results and Mining Operations

	Three-month period ended June 30,			Six-month period ended June 30,		
	2013	2012[6]	Variation	2013	2012[6]	Variation
Operating Highlights						
Gold ounces produced	**58,600**	60,500	(3%)	**118,300**	121,400	(3%)
Gold ounces sold	**51,900**	60,900	(15%)	**117,300**	119,600	(2%)
(in thousands of dollars, except amounts per ounce, per tonne and per share)						
Revenues – Gold sales	**71,136**	98,376	(28%)	**177,191**	198,777	(11%)
Mining operating expenses (excluding government royalties)	**35,309**	41,646	(15%)	**81,433**	78,888	3%
Government royalties	**3,706**	5,070	(27%)	**9,253**	10,147	(9%)
Write-off of property, plant and equipment	**–**	16,998	–	**–**	16,998	–
Impairment	**47,526**	–	–	**82,626**	–	–
Operating income (loss)	**(31,460)**	12,102	–	**(33,135)**	50,146	–
Impairment of investment in GoviEx	**19,600**	–	–	**19,600**	–	–
Loss on sale of current investment	**–**	24,297	–	**–**	24,297	–
Income tax expense	**2,384**	3,060	(22%)	**12,669**	9,249	37%
Net income (loss) attributable to equity shareholders	**(46,475)**	(17,515)	(165%)	**(53,765)**	10,591	–
Cash flow from operating activities[1]	**24,280**	42,600	(43%)	**63,078**	81,753	(23%)
Basic earnings (loss) per share	**(0.17)**	(0.06)	(165%)	**(0.20)**	0.04	–
Diluted earnings (loss) per share	**(0.17)**	(0.06)	(165%)	**(0.20)**	0.04	–
Operating cash flow per share[2]	**0.09**	0.16	(44%)	**0.23**	0.30	(23%)
Adjusted operating income[3]	**16,066**	29,100	(45%)	**49,491**	67,144	(26%)
Adjusted net income attributable to equity shareholders[3]	**12,787**	19,403	(34%)	**33,577**	47,509	(29%)
Adjusted basic earnings per share[3]	**0.05**	0.07	(29%)	**0.12**	0.17	(29%)
Average realized selling price (per ounce)	**1,371**	1,615	(15%)	**1,511**	1,662	(9%)
Cash operating cost (per ounce produced)[4]	**704**	685	3%	**699**	652	7%
Cash operating cost (per tonne processed)[4]	**34**	36	(6%)	**34**	35	(3%)
Total cash cost (per ounce sold)[5]	**752**	767	(2%)	**773**	738	5%

1 Cash flow from operating activities excludes changes in non-cash working capital items.

2 Operating cash flow per share is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A, note 18.

3 Adjusted operating income, adjusted net income attributable to equity shareholders and adjusted basic earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures" section of this MD&A, note 18.

4 Cash operating cost is a non-IFRS financial performance measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-IFRS financial performance measures" section of this MD&A, note 18.

5 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.

6 Amounts have been restated for the adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. Please refer to note 4 of the financial statements.

3. Consolidated Results and Mining Operations (continued)

Second Quarter 2013 v. Second Quarter 2012

- Lower revenues in the second quarter of 2013 compared to the same period in 2012 reflect a lower gold sales volume and a lower average realized gold price. The variation between gold ounces sold during the quarter compared to ounces produced is due to the timing of gold shipments.
- Our mining operating expenses decreased in the second quarter of 2013 mainly due to a lower sales volume.
- As at June 30, 2013, the carrying amount of our net assets exceeded our market capitalization, which is an indicator of potential impairment of the carrying amount of our cash generating units ("CGUs"). Consequently, and as a result of recent significant declines in gold prices, we conducted impairment testing of the following CGUs: the Mana Mine in Burkina Faso, the Samira Hill Mine in Niger and the Kiniero Mine in Guinea.

  For the three-month period ended June 30, 2013, impairment charges of $47,526,000, which included an impairment charge of $32,830,000 at the Kiniero Mine in Guinea prompted by the decision to wind down operations to an eventual care and maintenance status at the Kiniero Mine in 2013 and an additional impairment charge of $14,696,000 (2012: nil) at the Samira Hill Mine. We assessed the recoverable amount of the Mana Mine and determined that the fair value less cost to sell is greater than its carrying amount and therefore no impairment charge was recorded.
- In February 2008, we completed a transaction with GoviEx Uranium Inc. ("GoviEx"), aimed at combining the companies' interests in uranium mining projects. As part of this transaction, we sold all its shares in our subsidiary Semafo Energy (Barbados) Limited, in which we had already invested $2,151,000, in consideration for approximately 12% of GoviEx's outstanding shares at the transaction date. The transaction resulted in a non-cash gain of $17,849,000 and transaction fees of $400,000.

  During the second quarter of 2013, GoviEx issued a technical economic analysis prepared by SRK Consulting (UK) Limited for its Madaouela uranium project in Niger. The base case project economics assume a long-term uranium price of US$70/lb U_3O_8. Based on the current uranium market price, this project does not meet our minimal profitability criteria. In addition, GoviEx is in the process of restructuring its debt, which may create material dilution of our ownership in GoviEx. By combining the low profitability of the project and the potentially material dilution of our ownership, we deemed that the decline in GoviEx's fair value is significant. Accordingly, an impairment of $19,600,000 was recorded.
- In the second quarter of 2012, we recorded a non-recurring loss of $24,297,000 from the sale of its current investment and a write-off of $16,998,000 on its property, plant and equipment related to the conversion of the Mana underground mining operations in Burkina Faso to a super pit mining scenario.
- The operating loss in the second quarter of 2013 is directly linked to the non-cash impairment charges.
- Net loss attributable to equity shareholders amounted to $46,475,000 in the second quarter of 2013 compared to net loss attributable to equity shareholders of $17,515,000 for the same period in 2012, mainly as a result of a higher operating loss.

3. Consolidated Results and Mining Operations (continued)

First Six Months of 2013 v. First Six Months of 2012

- Lower revenues in the first six months of 2013 compared to the same period in 2012 are mainly due to lower realized gold price.
- For the six-month period ended June 30, 2013, impairment charges totalled $82,626,000 (2012: nil) (including write-down of inventories to their net realizable value) and included charges of $47,526,000 related to the Samira Hill Mine and the Kiniero Mine made during the second quarter of 2013 as discussed above. It also comprised an impairment charge of $35,100,000 recorded within the Samira Hill Mine segment in the first quarter of 2013, for non-financial assets, following the decision to defer capital investment at Samira Hill and to wind down operations to an eventual care and maintenance status at Samira Hill in 2013.
- For the six-month period ended June 30, 2013, GoviEx issued a technical economic analysis prepared by SRK Consulting (UK) Limited for its Madaouela uranium project in Niger. The base case project economics assume a long-term uranium price of US$70/lb U_3O_8. Based on the current uranium market price, this project does not meet our minimal profitability criteria. In addition, GoviEx is in the process of restructuring its debt, which may create material dilution of our ownership in GoviEx. By combining the low profitability of the project and the potentially material dilution of our ownership, we deemed that the decline in GoviEx's fair value is significant. Accordingly, an impairment of $19,600,000 was recorded.
- A higher operating loss in the first six months of 2013 compared to the same period in 2012 was directly linked to impairment charges at the Samira Hill and Kiniero mines.
- For the six-month period ended June 30, 2012, we recorded a non-recurring loss of $24,297,000 from the sale of its current investment and a write-off of $16,998,000 on its property, plant and equipment related to the conversion of the Mana underground mining operations in Burkina Faso to a super pit mining scenario.
- The income tax expense increased in the first six months of 2013 compared to the same period in 2012 due to the reversal of the Samira Hill Mine's future income tax assets and the income tax recovery in the first quarter of 2012, reflecting the impact of foreign exchange movements on our foreign non-monetary assets that must be recognized.
- Net loss attributable to equity shareholders amounted to $53,765,000 in the first six months of 2013 compared to net income attributable to equity shareholders of $10,591,000 for the same period in 2012, mainly as a result of lower operating income.

4. Operating Income (Loss) by Segment

(in thousands of dollars)	Three-month period ended June 30, 2013	2012[3]	Variation	Six-month period ended June 30, 2013	2012[3]	Variation
Mana Mine, Burkina Faso[1]	**18,764**	10,936	72%	**49,061**	51,971	(6%)
Samira Hill Mine, Niger[2]	**(14,868)**	5,002	–	**(44,263)**	9,318	–
Kiniero Mine, Guinea[2]	**(32,004)**	1,495	–	**(29,194)**	309	–
Corporate and others	**(3,352)**	(5,331)	37%	**(8,739)**	(11,452)	24%
	(31,460)	12,102	–	**(33,135)**	50,146	–

[1] In 2012, operating income included the write-off of property, plant and equipment of $16,998,000 related to the conversion of the underground project.
[2] The operating income included impairments of assets. Please refer to note 11 of the financial statements.
[3] Amounts have been restated for the adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. Please refer to note 4 of the financial statements.

4. Operating Income (Loss) by Segment (continued)

Mining Operations

Mana, Burkina Faso

	Three-month period ended June 30,			Six-month period ended June 30,		
	2013	2012[5]	Variation	2013	2012[5]	Variation
Operating Data						
Ore mined (tonnes)	**741,100**	609,200	22%	**1,416,300**	1,390,600	2%
Ore processed (tonnes)	**712,100**	644,200	11%	**1,424,000**	1,271,000	12%
Head grade (g/t)	**2.00**	2.32	(14%)	**2.10**	2.43	(14%)
Recovery (%)	**85**	85	–	**87**	86	1%
Gold ounces produced	**41,500**	42,500	(2%)	**84,200**	90,500	(7%)
Gold ounces sold	**39,400**	42,700	(8%)	**84,300**	89,000	(5%)
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**53,781**	69,051	(22%)	**126,359**	148,284	(15%)
Mining operations expenses (excluding government royalties)	**23,863**	28,115	(15%)	**52,005**	54,316	(4%)
Government royalties	**2,731**	3,442	(21%)	**6,425**	7,330	(12%)
Depreciation of property, plant and equipment	**8,283**	8,615	(4%)	**17,632**	15,749	12%
General and administrative	**117**	584	(80%)	**845**	1,310	(35%)
Corporate social responsibility expenses[1]	**23**	361	(94%)	**391**	610	(36%)
Write-off of property, plant and equipment	**–**	16,998	–	**–**	16,998	–
Segment operating income	**18,764**	10,936	72%	**49,061**	51,971	(6%)
Statistics (in dollars)						
Average realized selling price (per ounce)	**1,365**	1,617	(16%)	**1,499**	1,666	(10%)
Cash operating cost (per ounce produced)[2]	**604**	665	(9%)	**611**	611	–
Cash operating cost (per tonne processed)[2]	**36**	44	(18%)	**36**	43	(16%)
Total cash cost (per ounce sold)[3]	**675**	739	(9%)	**693**	693	–
Depreciation (per ounce sold)[4]	**210**	202	4%	**209**	177	18%

1 Corporate social responsibility expenses exclude contributions and projects sponsored through *Fondation SEMAFO*.
2 Cash operating cost is a non-IFRS measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-IFRS financial performance measures" section of this MD&A, note 18.
3 Total cash cost is a non-IFRS financial performance measure with no standard definition under IFRS and represents the mining operation expenses and the government royalties per ounce sold.
4 Depreciation per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS and represents the depreciation expense per ounce sold.
5 Amounts have been restated for the adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. Please refer to note 4 of the financial statements.

4. Operating Income (Loss) by Segment (continued)

Mining Operations (continued)

Mana, Burkina Faso

Second Quarter 2013 v. Second Quarter 2012

- For the three-month period ended June 30, 2013, a total of 741,100 tonnes of ore and 2,289,600 tonnes of waste material were extracted from the super pit, resulting in a stripping ratio of 3.1:1. In addition, 7,706,000 tonnes of waste material were extracted from the super pit during the pre-stripping phase. This compares to 609,200 tonnes of ore and 3,160,500 tonnes of waste material extracted from the Wona and Nyafé pits during the same period in 2012 which resulted in a stripping ratio of 5.2:1. In addition, 2,558,000 tonnes of waste material were extracted from the Wona, Kona and Nyafé pits during the pre-stripping phase in 2012.
- The increased throughput is due to the commissioning of the Phase IV of the plant expansion, which was completed in July 2012.
- The decrease in head grade reflects higher throughput and higher feed of ore sourced from the super pit, which has a lower average grade compared to the ore sourced from the Wona pit combined with a larger proportion of high grade ore from the Nyafé pit during the second quarter of 2012.
- The decrease in cash operating cost per tonne processed is mainly due to a lower stripping ratio and higher throughput combined with the implementation of cost optimization and continuous improvement. The decrease in cash operating cost per ounce is mainly due to the decrease in cash operating cost per tonne processed.
- Cash flow used for investments in property, plant and equipment in the second quarter of 2013 of $27,846,000 included: exploration expenditures of $9,519,000, growth capital totalling $1,451,000, the purchase of mining equipment totalling $1,078,000, capitalized stripping costs of $13,786,000, as well as sustainable capital expenditures of $2,012,000. In the second quarter of 2012, liquidities of $33,489,000 were invested in property, plant and equipment.
- In light of the volatility of the gold price, we will continue to focus on quality ounces to maximize cash flow and reduce cost at Mana. Additionally, the super pit offers flexibility with regard to the mining plan to take into consideration gold price fluctuation.

Power Grid Update:

During the second quarter of 2013, the National Electricity Company Sonabel awarded all of the contracts relating to the construction of a transmission line to deliver power to the Mana Mine. SEMAFO has agreed to advance $8,926,000 (4,500,000,000 FCFA), which represents 50% of the estimated total cost of the project, which will be reimbursable over an eight-year period following commissioning, currently scheduled for the third quarter of 2014. During the second quarter of 2013, SEMAFO made a first advance payment of $4,050,000.

4. Operating Income (Loss) by Segment (continued)

First Six Months of 2013 v. First Six Months of 2012

- For the six-month period ended June 30, 2013, a total of 1,416,300 tonnes of ore and 4,428,500 tonnes of waste material were extracted from the super pit, resulting in a stripping ratio of 3.1:1. In addition, 15,606,500 tonnes of waste material were extracted from the super pit during the pre-stripping phase. This compares to 1,390,600 tonnes of ore and 7,987,700 tonnes of waste material extracted from the Wona and Nyafé pits during the same period in 2012, which resulted in a stripping ratio of 5.7:1. In addition, 3,438,600 tonnes of waste material were extracted from the Wona, Kona and Nyafé pits during the pre-stripping phase in 2012.
- The increased throughput was achieved following the commissioning of the Phase IV of the plant expansion, which was completed in July 2012.
- The decrease in head grade reflects higher throughput and higher feed of ore sourced from the super pit, which has a lower average grade compared to ore sourced from the Wona and Nyafé pits during the first six months of 2012, combined with the processing of lower grade ore.
- The decrease in gold ounces produced, despite higher throughput, is a direct result of a lower head grade.
- The decrease in cash operating cost per tonne processed is mainly due to a lower stripping ratio and higher throughput, combined with the implementation of cost optimization and continuous improvement.
- The depreciation charge increased as a result of the additional mining equipment and the commissioning of Phase IV of the plant expansion.
- Cash flow used for investments in property, plant and equipment in the first six months of 2013 of $56,143,000 included: exploration expenditures of $17,192,000, growth capital totalling $3,963,000, the purchase of mining equipment totalling $1,783,000, capitalized stripping costs of $26,324,000, as well as sustainable capital expenditures of $6,881,000. In the first six months of 2012, liquidities of $77,840,000 were invested in property, plant and equipment.

Siou Sector – Mineral Reserves Update Scheduled for the Third Quarter of 2013

As part of our disciplined capital allocation strategy and recognizing that exploration is our future, our entire 2013 exploration budget of $22 million will principally be invested within the 20-kilometer radius of the Mana processing plant. No exploration is planned for our non-core assets, the Samira Hill and the Kiniero mines.

The recent volatility in the price of gold reinforces our decision to accelerate the development of the high-grade Siou Sector, which has low sensitivity to gold price fluctuations.

During the second quarter of 2013, using four core drills and two reverse-circulation ("RC") drills, we completed the delineation drilling program on the Siou deposit at up to 25 meter x 25 meter spacing, down to approximately 150 meters. This year, a total of 30,670 meters of RC drilling and 25,000 meters of core drilling have been completed over the Siou area.

Both continuity and grades remained in line with expectations. Additionally, detailed drilling provided a better understanding of some of the parallel zones including the 55 and 56 zones, which are interpreted as branches originating from the Nine Zone (ref. Figure 1). Within the 55 and 56 zones, mineralization appears more erratic than in the Nine and Siou zones but locally, gold mineralization can be traced over up to 300 meters in length.

Further drilling at 200-meter to 300-meter depths in the south part of the deposit where significant results were previously obtained (e.g. Section 1321000N WDC-681: 8.66 g/t Au over 4.1 meters at the Nine Zone and 3.88 g/t Au over 7.3 meters at the Siou Zone) added many new significant intervals. Results including holes WDC-711 (5.82 g/t Au over 13.3 meters), WDC-769 (19.76 g/t Au over 3.0 meters), and WDC-764 (4.40 g/t Au over 13.8 meters) cover an area of more than 300 meters long where Zone Nine and Zone 56 both returned high grade mineralization over above-average widths. See Figure 2 - Longitudinal Sections.

Data compilation of drilling results (Phase I and II) is currently underway and we remain on schedule to announce Siou reserves, along with a mine plan, in the third quarter of 2013. Delineation drilling results confirm excellent continuity of the mineralization within the core of the deposit and within its extension. Given the excellent results from the Siou south extension (ref. SEMAFO's press release dated May 1, 2013) and the availability of rigs on site, the Corporation decided to proceed with the drilling originally scheduled for the fourth quarter of 2013. This program, which consisted of 3,847 meters of drilling, has been completed and the results are to be incorporated in our upcoming reserves and resources estimate.

Remaining resources, including new inferred resources, will be communicated at the same time as the upcoming reserve estimate. Further drilling of these resources will be scheduled to bring them to a higher category. Presently, however our priority, and an important part of our short-term value creation strategy, is to fast-track the development of Siou.

We are progressing towards production faster than initially planned with stripping activities now scheduled for the third quarter instead of the fourth quarter of 2014.

4. Operating Income (Loss) by Segment (continued)

Siou Sector – Mineral Reserves Update Scheduled for the Third Quarter of 2013 (continued)

Figure 1

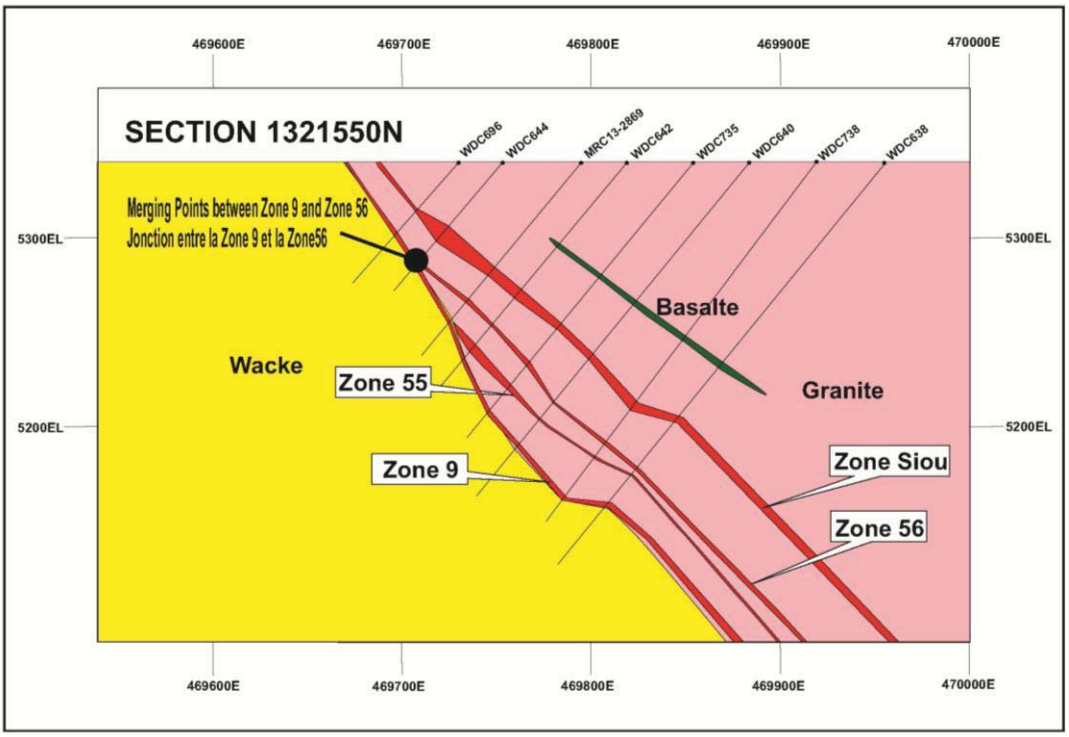
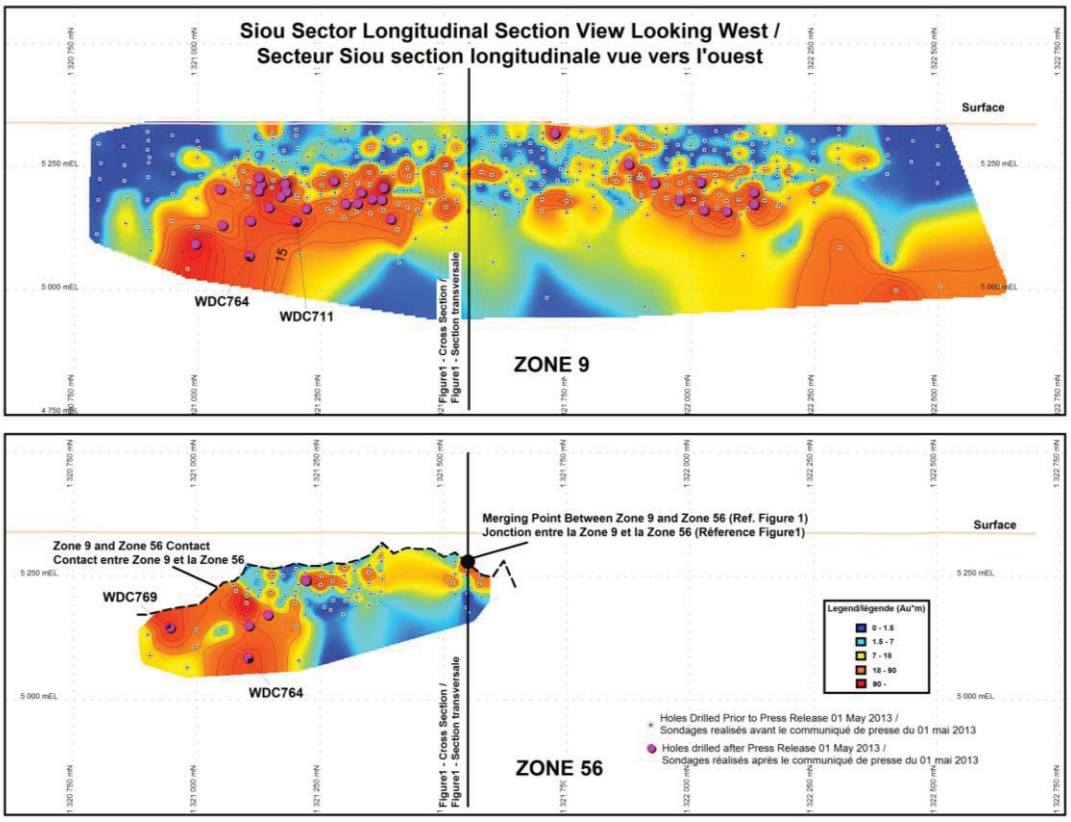


Figure 2: Longitudinal Section:



4. Operating Income (Loss) by Segment (continued)

Siou Sector – Mineral Reserves Update Scheduled for the Third Quarter of 2013 (continued)

In the coming months, we will continue to focus our exploration efforts on the Siou Sector and the Kokoi Trend. Ongoing exploration on the Mana property includes auger drilling and RC drilling along with soil sampling.

Priorities:

1) Announce Siou reserves and mine plan in the third quarter of 2013
2) Move forward with permitting processing – submission of documents, including the Environmental Impact Statement (EIA), for both the Fofina and Siou sectors to the Government of Burkina Faso
3) Be in a position to commence stripping activities in the third quarter of 2014
4) Ongoing exploration within the 20-kilometer radius of the processing plant

4. Operating Income (Loss) by Segment (continued)

Mining Operations (continued)

Samira Hill, Niger

	Three-month period ended June 30,			Six-month period ended June 30,		
	2013	2012[5]	Variation	2013	2012[5]	Variation
Operating Data						
Ore mined (tonnes)	**316,800**	465,500	(32%)	**851,700**	934,400	(9%)
Ore processed (tonnes)	**398,100**	414,400	(4%)	**814,800**	837,000	(3%)
Head grade (g/t)	**0.98**	1.87	(48%)	**1.02**	1.62	(37%)
Recovery (%)	**90**	57	58%	**89**	62	44%
Gold ounces produced	**12,300**	13,800	(11%)	**24,500**	26,700	(8%)
Gold ounces sold	**9,500**	14,400	(34%)	**24,500**	26,800	(9%)
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**13,010**	23,132	(44%)	**37,658**	44,300	(15%)
Mining operations expenses (excluding government royalties)	**8,942**	10,977	(19%)	**22,419**	21,243	6%
Government royalties	**750**	1,299	(42%)	**2,122**	2,488	(15%)
Depreciation of property, plant and equipment	**3,267**	5,552	(41%)	**6,983**	10,373	(33%)
General and administrative	**209**	263	(21%)	**555**	790	(30%)
Corporate social responsibility expenses[1]	**14**	39	(64%)	**46**	88	(48%)
	(172)	5,002	–	**5,533**	9,318	(41%)
Impairment	**14,696**	–	–	**49,796**	–	–
Segment operating income (loss)	**(14,868)**	5,002	–	**(44,263)**	9,318	–
Statistics (in dollars)						
Average realized selling price (per ounce)	**1,369**	1,606	(15%)	**1,537**	1,653	(7%)
Cash operating cost (per ounce produced)[2]	**984**	762	29%	**936**	795	18%
Cash operating cost (per tonne processed)[2]	**29**	26	12%	**28**	26	8%
Total cash cost (per ounce sold)[3]	**1,020**	853	20%	**1,002**	885	13%
Depreciation (per ounce sold)[4]	**344**	386	(11%)	**285**	387	(26%)

1 Corporate social responsibility expenses exclude contributions and projects sponsored through *Fondation SEMAFO*.
2 Cash operating cost is a non-IFRS financial performance measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-IFRS financial performance measures" section of this MD&A, note 18.
3 Total cash cost is a non-IFRS financial performance measure with no standard definition under IFRS and represents the mining operation expenses and the government royalties per ounce sold.
4 Depreciation per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS and represents the depreciation expense per ounce sold.
5 Amounts have been restated for the adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. Please refer to note 4 of the financial statements.

4. Operating Income (Loss) by Segment (continued)

Mining Operations (continued)

Samira Hill, Niger

- As at June 30, 2013, the carrying amount of our net assets exceeded our market capitalization, which is an indicator of potential impairment of the carrying amount of our cash generating units. Consequently, and as a result of recent significant declines in gold prices, we conducted an impairment testing at the Samira Hill Mine in Niger. For the three-month period ended June 30, 2013, impairment charge of $14,696,000 was recorded at the Samira Hill Mine.

  For the six-month period ended June 30, 2013, impairment charges of $49,796,000 were recorded at the Samira Hill Mine and included an impairment of $14,696,000 recorded during the second quarter of 2013 as discussed previously and an impairment of $35,100,000 recorded in the first quarter of 2013, for non-financial assets, following the decision to defer capital investment at Samira Hill and to wind down operations to an eventual care and maintenance status at Samira Hill in 2013.
- The decrease in depreciation expense is the result of the impairment charges on the property, plant and equipment recorded since December 31, 2012.
- Cash flow used for investments in property, plant and equipment in the second quarter of 2013 totalled $2,358,000.
- On July 17, 2013, we entered into a heads of agreement with Middle Island Resources Limited for the sale of the Samira Hill gold mine in Niger.

  The purchase price includes a cash payment of US$1.25 million and a fixed net smelter return ("NSR") royalty of 1.2% on gold sold from the Samira Hill plant payable by Middle Island Resources to the Corporation. The NSR is payable only if the spot price of gold is at or greater than US$1,450 per ounce, and is capped at US$12 million.

  Closing of the transaction is subject to the following conditions:
  - Completion of satisfactory legal and financial due diligence by Middle Island Resources.
  - Completion of mutually satisfactory transaction documents.
  - Completion of an AUD$5 million equity capital raising by Middle Island Resources.
  - Grant of substitute exploration permits to Middle Island Resources over the land presently the subject of exploration permits located in the vicinity of the Samira Hill plant, which Middle Island Resources is currently earning an interest in.
  - Obtaining all required governmental and regulatory approvals.
  - Transfer by SML to SEMAFO of certain rolling stock and mining equipment.

  Subject to fulfillment of the above conditions, closing of the transaction is anticipated to take place on or prior to September 30, 2013. Each party has a right to terminate the heads of agreement prior to closing the transaction.

4. Operating Income (Loss) by Segment (continued)

Mining Operations (continued)

Kiniero, Guinea

	Three-month period ended June 30,			Six-month period ended June 30,		
	2013	2012	Variation	2013	2012	Variation
Operating Data						
Ore mined (tonnes)	**103,300**	–	–	**216,200**	–	–
Ore processed (tonnes)	**105,800**	121,700	(13%)	**228,400**	121,700	88%
Head grade (g/t)	**1.65**	1.25	32%	**1.43**	1.25	14%
Recovery (%)	**90**	90	–	**89**	90	(1%)
Gold ounces produced	**4,800**	4,200	14%	**9,600**	4,200	129%
Gold ounces sold	**3,000**	3,800	(21%)	**8,500**	3,800	124%
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**4,345**	6,193	(30%)	**13,174**	6,193	113%
Mining operations expenses (excluding government royalties)	**2,504**	2,554	(2%)	**7,010**	3,329	111%
Government royalties	**225**	329	(32%)	**705**	329	114%
Depreciation of property, plant and equipment	**695**	1,001	(31%)	**1,644**	1,148	43%
General and administrative	**92**	346	(73%)	**171**	605	(72%)
Corporate social responsibility expenses	**3**	468	(99%)	**8**	473	(98%)
	826	1,495	(45%)	**3,636**	309	1,077%
Impairment	**32,830**	–	–	**32,830**	–	–
Segment operating income (loss)	**(32,004)**	1,495	–	**(29,194)**	309	–
Statistics (in dollars)						
Average realized selling price (per ounce)	**1,448**	1,630	(11%)	**1,550**	1,630	(5%)
Cash operating cost (per ounce produced)[1]	**854**	632	35%	**859**	632	36%
Cash operating cost (per tonne processed)[1]	**43**	22	95%	**39**	22	77%
Total cash cost (per ounce sold)[2]	**910**	759	20%	**908**	759	20%
Depreciation (per ounce sold)[3]	**232**	263	(12%)	**193**	302	(36%)

[1] Cash operating cost is a non-IFRS financial performance measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-IFRS financial performance measures" section of this MD&A, note 18.

[2] Total cash cost is a non-IFRS financial performance measure with no standard definition under IFRS and represents the mining operation expenses and the government royalties per ounce sold.

[3] Depreciation per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS and represents the depreciation expense per ounce sold.

- As at June 30, 2013, the carrying amount of our net assets exceeded our market capitalization, which is an indicator of potential impairment of the carrying amount of our cash generating units. Consequently, and as a result of recent significant declines in gold prices, we conducted an impairment testing at the Kiniero Mine in Guinea. For the three-month and six-month period ended June 30, 2013, impairment charge of $32,830,000 was recorded at the Kiniero Mine in Guinea prompted by the decision to wind down operations to an eventual care and maintenance status at the Kiniero Mine in 2013.
- Cash flow used for investments in property, plant and equipment in the second quarter of 2013 totalled $181,000.

5. Other Elements of the Statement of Income (Loss)

General and Administrative Expenses
(in thousands of dollars)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Corporate expenses	**3,856**	4,242	**7,990**	9,049
Sites – Administrative	**418**	1,193	**1,571**	2,705
	4,274	5,435	**9,561**	11,754

General and administrative expenses totalled $4,274,000 and $9,561,000 for the three-month and six-month periods ended June 30, 2013, compared to $5,435,000 and $11,754,000 for the same period in 2012. The decrease in general and administrative expenses was the result of our optimization efforts. Clearly, we have made a number of difficult decisions for our organization recently, such as no longer investing long-term money in our non-core assets and reducing our corporate office headcount by 20%. Thus far, we are satisfied with our efforts and progress to improve our costs and operating efficiencies throughout our operations.

Corporate Social Responsibility Expenses
For the second quarter of 2013, corporate social responsibility expenses totalled $45,000 (2012: $1,514,000), including contributions of $5,000 (2012: $646,000) made to *Fondation SEMAFO.*

For the six-month period ended June 30, 2013, corporate social responsibility expenses totalled $781,000 (2012: $2,205,000), including contributions of $336,000 (2012: $1,034,000) made to *Fondation SEMAFO,* while contributions to SEMAFO Energy totalled $138,000 (2012: $1,026,000).

Share-based Compensation
For the second quarter of 2013, our share-based compensation expenses amounted to a credit of $670,000 compared to an expense of $347,000 for the same period in 2012. Our share-based compensation expenses included a $114,000 charge (2012: $181,000) related to our stock option plans and a credit of $784,000 (2012: expense of $166,000) for our Restricted Share Unit Plan ("Unit Plan"). The $784,000 credit related to the Unit Plan is comprised of a $1,630,000 expense for restricted share units outstanding and a $2,414,000 credit due to a decrease in our share price.

For the six-month period ended June 30, 2013, our share-based compensation expenses amounted to $43,000 compared to $1,125,000 for the same period in 2012. Our share-based compensation expenses included a $745,000 charge (2012: $978,000) related to our stock option plans and a credit of $702,000 (2012: expense of $147,000) for our Restricted Share Unit Plan. The $702,000 credit related to the Unit Plan is comprised of a $2,751,000 expense for restricted share units outstanding and a $3,453,000 credit due to a decrease in our share price.

Impairment of Investment in GoviEx
In February 2008, the Corporation completed a transaction with GoviEx, aimed at combining the companies' interests in uranium mining projects. As part of this transaction, we sold all its shares in our subsidiary Semafo Energy (Barbados) Limited, in which we had already invested $2,151,000, in consideration for approximately 12% of GoviEx's outstanding shares at the transaction date. The transaction resulted in a non-cash gain of $17,849,000 and transaction fees of $400,000.

During the second quarter of 2013, GoviEx issued a technical economic analysis prepared by SRK Consulting (UK) Limited for its Madaouela uranium project in Niger. The base case project economics assume a long-term uranium price of US$70/lb U_3O_8. Based on the current uranium market price, this project does not meet our minimal profitability criteria. In addition, GoviEx is in the process of restructuring its debt, which may create material dilution of our ownership in GoviEx. By combining the low profitability of the project and the potentially material dilution of our ownership, we deemed that the decline in GoviEx's fair value is significant. Accordingly, an impairment of $19,600,000 was recorded.

Income Tax Expense
The fluctuation in our income tax expense reflects the taxable income at our Mana Mine in 2013 compared to 2012 due to the 2012 write-off charge associated with the conversion of the Mana underground project to an open pit project.

5. Other Elements of the Statement of Income (Loss) (continued)

Comprehensive Income Attributable to Non-Controlling Interests

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012[1]	2013	2012[1]
Non-controlling interests (in thousands of dollars)				
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A.	**1,750**	791	**3,978**	4,199
Government of Niger – 20% in Société des Mines du Liptako (SML) S.A.	**(3,499)**	519	**(11,468)**	1,055
Government of Guinea – 15% in SEMAFO Guinée S.A.	**(5,137)**	(282)	**(5,277)**	(990)
	(6,886)	1,028	**(12,767)**	4,264

[1] Amounts have been restated for the adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. Please refer to note 4 of the condensed interim consolidated financial statements

The non-controlling interests are directly linked to our subsidiaries' net income (loss).

6. Other Comprehensive Income (Loss)

For the second quarter of 2013, other comprehensive income amounted to nil. In the second quarter of 2012, it also included another comprehensive income of $10,156,000 due to a decrease in the fair value of our current investment of $14,141,000, and the reclassification of accumulated other comprehensive loss to net loss of $24,297,000 from the sale of our current investment.

For the six-month period ended June 30, 2013, other comprehensive income amounted to nil. In the first six months of 2012, it also included another comprehensive income of $2,794,000 due to a decrease in the fair value of our current investment of $21,503,000, and the reclassification of accumulated other comprehensive loss to net loss of $24,297,000 from the sale of our current investment.

7. Cash Flow

The following table summarizes our cash flow activities:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012	2013	2012
Cash flow **(in thousands of dollars)**				
Operations	**24,280**	42,600	**63,078**	81,753
Working capital items	**(8,506)**	(30,533)	**(11,574)**	(11,979)
Operating activities	**15,774**	12,067	**51,504**	69,774
Financing activities	**–**	(805)	**(5,384)**	(6,106)
Investing activities	**(35,815)**	(37,295)	**(70,028)**	(95,005)
Effect of exchange rate changes on cash and cash equivalents	**(819)**	1,328	**870**	621
Change in cash and cash equivalents during the period	**(20,860)**	(24,705)	**(5,038)**	(30,716)
Cash and cash equivalents – beginning of period	**137,273**	173,745	**139,451**	178,713
Cash and cash equivalents – end of period	**116,413**	149,040	**116,413**	147,997

7. Cash Flow (continued)

Operating

Second Quarter 2013

Our primary ongoing source of liquidity is from our operating cash flows. In the second quarter of 2013, operating activities, before working capital items, generated cash flows of $24,280,000 compared to $42,600,000 in 2012 reflecting lower volume of gold sold with a lower cash margin. Working capital items required liquidities of $8,506,000 in the second quarter of 2013, while it required liquidities of $30,533,000 for 2012, mainly due to higher trade payables and accrued liabilities, higher income tax payable and higher trade receivables from gold sales.

First Six Months of 2013

In the six-month period ended June 30, 2013, operating activities, before working capital items, generated cash flows of $63,078,000 despite a 2% decrease in gold ounces sold compared to the same period in 2012, reflecting lower mining operating expenses. Working capital items required liquidities of $11,574,000 in the first six months of 2013, while it required liquidities of $11,979,000 in 2012, mainly due to lower trade payables and accrued liabilities offset by a decrease in trade receivables from gold sales and lower inventories.

Further details regarding the changes in non-cash working capital items are provided in note 21 a) of the financial statements.

Financing

Second Quarter 2013

In the second quarter of 2013, cash flow used in financing activities amounted to nil compared to $805,000 in the same period in 2012.

First Six Months of 2013

In the six-month period ended June 30, 2013, cash flow used in financing activities amounted to $5,384,000 compared to $6,106,000 in the same period in 2012, reflecting mainly the payment of dividends to equity shareholders in both years during the first six months of 2013.

Investing

Second Quarter 2013

During the first quarter of 2012, we made an investment of $4,813,000 in a quoted equity investment for a current investment totalling $29,902,000. In the second quarter of 2012, we sold our current investment for proceeds totalling $5,617,000.

In the second quarter of 2013, the advance made to Sonabel totalled $4,050,000.

In addition, investments of $30,385,000 were made in property, plant and equipment, compared to investments of $42,912,000 for the same period in 2012. Cash flow used for investments in property, plant and equipment in the second quarter of 2013 included: exploration expenditures of $9,596,000, expansion costs at the Mana Mine totalling $1,484,000, the purchase of mining equipment totalling $1,078,000, capitalized stripping costs of $15,736,000, as well as sustainable capital expenditures of $2,491,000. In the second quarter of 2012, liquidities of $42,912,000 were invested as follows: $18,183,000 for exploration expenditures, $1,994,000 for expansion related costs at the Mana Mine, $728,000 for the underground at Mana, $1,182,000 for mining equipment, $9,017,000 for stripping costs as well as $11,808,000 for sustainable capital expenditures.

The increase in restricted cash of $1,380,000 in the second quarter of 2013 compared to the same period in 2012 is due to the special compensation arrangement with the former President and Chief Executive Officer.

First six months of 2013

In the first six months of 2013, we made an advance of $4,050,000 to Sonabel.

In the first six months of 2013, investments of $63,525,000 were made in property, plant and equipment, compared to investments of $96,112,000 for the same period in 2012. Cash flow used for investments in property, plant and equipment in the first six months of 2013 included: exploration expenditures of $17,362,000, expansion costs at the Mana Mine totalling $3,996,000, the purchase of mining equipment totalling $1,783,000, capitalized stripping costs of $30,806,000, as well as sustainable capital expenditures of $9,578,000. In the first six months of 2012, liquidities of $96,112,000 were invested as follows: $32,905,000 for exploration expenditures, $5,863,000 for expansion related costs at the Mana Mine, $6,785,000 for the underground at Mana, $10,347,000 for mining equipment, $13,359,000 for stripping costs as well as $26,853,000 for sustainable capital expenditures.

7. Cash Flow (continued)

Investing (continued)

First six months of 2013 (continued)
The increase in restricted cash of $2,453,000 in the first six months of 2013 is due to the funding of our asset retirement obligation in Burkina Faso and the special compensation arrangement with the former President and Chief Executive Officer.

8. Financial Position

As at June 30, 2013, we maintained a strong financial position with $116,413,000 in cash and cash equivalents and no long-term debt. With our existing cash balances and forecasted cash flow from operations, we are well positioned to fund all of our cash requirements for 2013, which relate primarily to the following activities:

Requirements and ongoing projects:

- Exploration programs
- Stripping activities

(in thousands of dollars)	As at June 30, 2013	As at December 31, 2012
Current assets	**224,951**	273,107
Restricted cash	**3,376**	923
Property, plant and equipment	**391,739**	404,716
Other assets	**4,050**	–
Investment	**–**	19,600
Deferred income taxes assets	**–**	3,000
Total assets	**624,116**	701,346
Total liabilities	**94,467**	100,819
Equity attributable to equity shareholders	**528,361**	586,524
Non-controlling interest	**1,288**	14,003

As at June 30, 2013, our total assets amounted to $624,116,000 compared to $701,346,000 as at December 31, 2012. The decrease relates to the impairment of our Samira Hill and Kiniero mines (see note 11 of the financial statements) and to the impairment of our investment in GoviEx. We held cash and cash equivalents of $116,413,000 as at June 30, 2013 compared to $139,451,000 as at December 31, 2012. The remaining portion of our asset base is primarily comprised of property, plant and equipment, reflecting the capital intensive nature of our business.

As at June 30, 2013, our liabilities totalled $94,467,000, which is mainly comprised of trade payables and accrued liabilities, income tax payable and provisions.

9. Financial Instruments

The nature and extent of risks arising from financial instruments are described in note 16 of the Corporation's 2012 annual consolidated financial statements. In the second quarter of 2013, there was no material change to the nature of risks arising from financial instruments or classification of financial instruments. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on our consolidated statement of financial position.

10. Contractual Obligations

Asset Retirement Obligations
Our operations are governed by mining agreements that include the protection of the environment. We conduct our operations in such manner as to protect public health and the environment. We implement progressive measures for rehabilitation work during the operation, in accordance with our mining agreements, as well as closing-down and follow-up work upon closure of a mine.

10. Contractual Obligations (continued)

Asset Retirement Obligations (continued)
The liability for asset retirement obligations as at June 30, 2013 was $11,548,000 (December 31, 2012: $10,375,000). The estimated undiscounted value of this liability was $14,110,000 (December 31, 2012: $12,752,000). These disbursements are expected to be made during the years 2013 to 2021. In the three-month period ended June 30, 2013, an accretion expense component of $181,000 (2012: $149,000) has been charged to operations in finance costs to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a weighted average discount rate of 7% (2012: 7%).

Government Royalties and Development Taxes
In Burkina Faso, gold spot prices lower or equal to $1,000 per ounce are subject to a royalty rate of 3%, a 4% rate applies for spot prices between $1,000 and $1,300 per ounce, and a 5% royalty rate is applied on all shipments with a gold spot price greater than $1,300 per ounce.

In 2013, the Corporation was subject to a royalty rate of 4% and 5%, which was calculated using the retail market value of gold ounces sold at the time of shipment. In the second quarter of 2013, government royalties amounting to $2,731,000 (2012: $3,442,000) were paid to the Government of Burkina Faso. In the six-month period ended June 30, 2013, government royalties amounting to $6,425,000 (2012: $7,330,000) were paid to the Government of Burkina Faso.

The Corporation is subject to a royalty rate of 5.5% of the market value of gold ounces sold originating from the Samira Hill Mine payable to the Republic of Niger. In the second quarter of 2013, government royalties amounting to $750,000 (2012: $1,299,000) were paid to the Government of Niger. In the six-month period ended June 30, 2013, government royalties amounting to $2,122,000 (2012: $2,488,000) were paid to the Government of Niger.

The Corporation is subject to a royalty rate of 5% of the market value of gold ounces sold originating from the Kiniero Mine payable to the Republic of Guinea. In addition, the Corporation has to invest 0.4% of its gold sales in local development projects. In the second quarter of 2013, government royalties amounting to $225,000 (2012: $329,000) were paid to the Government of Guinea. In the six-month period ended June 30, 2013, government royalties amounting to $705,000 (2012: $329,000) were paid to the Government of Guinea.

Net Smelter Royalty – Samira Hill Mine
Further to the acquisition from Etruscan Resources Inc. ("Etruscan") of their minority interest in the subsidiary operating the Samira Hill Mine located in Niger, the Corporation is subject to a 1.5% net smelter royalty. The royalty comes into effect after the mine has produced 750,000 ounces, calculated as from July 1, 2009. Since July 1, 2009, the Samira Hill Mine has produced 200,900 ounces. The Corporation has been granted a right of first refusal should Etruscan decide to sell this royalty.

Purchase Obligations
As at June 30, 2013, the purchase commitments totalled $8,810,000. In addition, on October 1, 2011, the Corporation entered into an agreement with National Electricity Company Sonabel, in Burkina Faso, pursuant to which the Corporation will make an advance for the construction of a high-voltage transmission line. As at June 30, 2013, the Corporation is committed to advance a remaining amount of $4,876,000 (2,458,000,000 FCFA) to Sonabel with respect to this project.

Payments to Maintain Mining Rights
In the normal course of business, in order to obtain and maintain all the advantages of our mining permits, we must commit to invest a specific amount in exploration and development on the permits during their validity period. Moreover, we must make annual payments in order to maintain certain property titles. As at June 30, 2013, we were in compliance in all material respect with the obligations related to the ownership of our permits.

11. Significant Accounting Policies

The Corporation established its accounting policies and methods used in the preparation of its unaudited condensed interim consolidated financial statements for the three-month and six-month periods ended June 30, 2013 in accordance with IFRS. See note 3 to the Corporation's 2012 annual audited consolidated financial statements and note 4 of the financial statements for more information about the significant accounting policies used to prepare the financial statements.

12. Critical Accounting Estimates and Judgements

Impairment of non-financial assets

Assets are reviewed for an indication of impairment at each statement of financial position date and upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends including the price of gold, and current, historical or projected losses that demonstrate continuing losses, decrease in market capitalization and deferral of capital investments.

The Corporation's recoverable amount measurement with respect to the carrying amount of non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amount.

The recoverable amount is based, in part, on certain factors that may be partially or totally outside of the Corporation's control. This evaluation involves a comparison of the estimated recoverable amount of non-financial assets to its carrying values. The Corporation's recoverable amount estimates are based on numerous assumptions such as, but not limited to, estimated realized gold prices, operating costs, gold recovery, mineral reserves and resources, capital and site restoration expenditures and estimated future foreign exchange rates, and may differ from actual values and these differences may be significant and could have a material impact on the Corporation's financial position and result of operation. Mineral reserve and resource estimates are the most important variable in the Corporation's recoverable amount estimates. A decrease in the reserves or resources may result in an impairment charge, which could reduce the Corporation's earnings.

Management's estimates of future cash flows are subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect recoverability of the Corporation's non-financial assets.

As at June 30, 2013, the carrying amount of the Corporation's net assets exceeded its market capitalization, which is an indicator of potential impairment of the carrying amount of our cash generating units ("CGUs"). Consequently, and as a result of recent significant declines in gold prices, the Corporation conducted impairment testing of the following CGUs as at June 30, 2013: the Mana Mine in Burkina Faso, the Samira Hill Mine in Niger and the Kiniero Mine in Guinea. We assessed the recoverable amount of the Mana Mine and determined that the fair value less cost to sell is greater than its carrying amount and therefore no impairment charge was recorded. For the three-month period ended June 30, 2013, impairment charges of $47,526,000 (2012: nil) was recorded (including write-down of inventories to their net realizable value), which included an impairment charge of $32,830,000 (2012: nil) at the Kiniero Mine in Guinea prompted by the decision to wind down operations to an eventual care and maintenance status at the Kiniero Mine in 2013 and an additional impairment charge of $14,696,000 (2012: nil) at the Samira Hill Mine.

For the six-month period ended June 30, 2013, impairment charges totalled $82,626,000 (2012: nil) (including write-down of inventories to their net realizable value) and included charges of $47,526,000 related to the Samira Hill Mine and the Kiniero Mine made during the second quarter of 2013 as discussed above. It also comprised an impairment charge of $35,100,000 recorded within the Samira Hill Mine segment in the first quarter of 2013, for non-financial assets, following the decision to defer capital investment at Samira Hill and to wind down operations to an eventual care and maintenance status at Samira Hill in 2013.

As a result of these impairments, as at June 30, 2013, the carrying amount of the Samira Hill Mine's net liabilities totalled $1,067,000 before non-controlling interest. In addition, non-controlling interest totalling $14,880,000 will be expensed only when there is a sale or a legal dissolution of the mine.

As at June 30, 2013, the carrying amount of the Kiniero Mine's net assets totalled $4,302,000 before non-controlling interest. In addition, non-controlling interest totalling $9,320,000 will be expensed only when there is a sale or a legal dissolution of the mine.

Please refer to note 11 of the financial statements for the result of the impairment testing conducted for the Samira Hill and Kiniero mines.

Asset Retirement Obligations

Asset retirement obligations arise from the development, construction and normal operation of mining property, plant and equipment as mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and expenditures have been made, and will be made in the future, to comply with such laws and regulations.

The estimated present value of reclamation liabilities is recorded in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset.

12. Critical Accounting Estimates and Judgements (continued)

Asset Retirement Obligations (continued)

The liability will be increased each period to reflect the interest element or accretion reflected in its initial measurement at fair value, and will also be adjusted for changes in the estimate of the amount, timing change in discount rate and cost of the work to be carried out.

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs that will be incurred to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. The estimates are dependent on labor costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and pre-tax interest rates that reflect current market assessment for the time value of money and the risks specific to the obligation. Management also estimates the timing of the outlays, which is subject to change depending on continued operations and newly discovered mineral reserves.

Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Corporation. Increases in future costs could materially impact the operating results. An asset retirement obligations study is currently under review and is expected to be completed in 2013.

13. Risks and Uncertainties

As a mining company, we face the financial and operational risks inherent to the nature of our activities. These risks may affect our financial condition and results of operation. As a result, an investment in our common shares should be considered speculative. Prospective purchasers or holders of our common shares should give careful consideration to all of our risks factors.

Financial Risks

Fluctuation in Gold Prices

The profitability of our operations will be significantly affected by changes in the market price of gold. Gold production from mining operations and the willingness of third parties, such as central banks, to sell or lease gold affects the gold supply. Demand for gold can be influenced by economic conditions, gold's attractiveness as an investment vehicle and the strength of the US dollar. Other factors include interest and exchange rates, inflation and political stability. The aggregate effect of these factors is impossible to predict with accuracy. Gold prices are also affected by worldwide production levels.

In addition, the price of gold has on occasion been subject to very rapid short-term changes due to speculative activities. Fluctuations in gold prices may materially adversely affect our financial condition and results of operation.

Fluctuation in Petroleum Prices

Because we use petroleum fuel to power our mining equipment and to generate electrical energy to power our mining operations, our financial condition and results of operation may be materially adversely affected by rising petroleum prices.

Exchange Rate Fluctuations

Our operations in West Africa are subject to currency fluctuations that may materially adversely affect our financial condition and results of operation. Gold is currently sold in US dollars and although the majority of our costs are also in US dollars, certain costs are incurred in other currencies. The appreciation of non-US dollar currencies against the US dollar can increase the cost of exploration and production in US dollar terms, which could materially adversely affect our financial condition and results of operation.

Access to Capital Markets

To fund our growth, we are often dependent on securing the necessary capital through loans or permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in our projects.

Operational Risks

Uncertainty of Reserves and Resource Estimates

Reserves and resources are estimates based on limited information acquired through drilling and other sampling methods. No assurance can be given that anticipated tonnages and grades will be achieved or that level of recovery will be realized. The ore grade actually recovered may differ from the estimated grades of the reserves and resources. Such figures have been determined based upon assumed gold prices and operating costs.

13. Risks and Uncertainties (continued)

Operational Risks (continued)

Uncertainty of Reserves and Resource Estimates (continued)

Future production could differ dramatically from reserves estimates for, among others, the following reasons:

- mineralization or formations could differ from those predicted by drilling, sampling and similar examinations
- increases in operating mining costs and processing costs could materially adversely affect reserves
- the grade of the reserves may vary significantly from time to time and there is no assurance that any particular level of gold may be recovered from the reserves, and
- declines in the market price of gold may render the mining of some or all of the reserves uneconomic.

Any of these factors may translate into increased costs or a reduction in our estimated reserves. Short-term factors, such as the need for the additional development of a deposit or the processing of new or different grades may impair our profitability. Should the market price of gold fall, we could be required to materially write down our investment in mining properties or delay or discontinue production or the development of new projects.

Production and Operating Cash Cost

No assurance can be given that the intended or expected production schedules or the estimated operating cash costs will be achieved in respect of our operating gold mines. Many factors may cause delays or cost increases, including labour issues, disruptions in power, transportation or supplies, and mechanical failure. Our net income will depend, among other things, on the extent to which expected operating costs are achieved. In addition, short-term operating factors, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular period. Furthermore, our activities may be subject to prolonged disruptions due to weather conditions. Hazards, such as unusual or unexpected formations, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material.

Our operating cash cost to produce an ounce of gold is further dependent on a number of factors, including the grade of reserves, recovery and plant throughput. Our future performance may hence materially adversely differ from the estimated performance. As these factors are beyond our control, there can be no assurance that our cash operating cost will be similar from year to year.

Nature of Mineral Exploration and Mining

Our profitability is significantly affected by our exploration and development programs. The exploration and development of mineral deposits involves significant financial risks over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a gold-bearing structure may result in substantial rewards, few properties explored are ultimately developed into mines. Major expenses may be required to establish and replace reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that our current or proposed exploration programs will result in profitable commercial mining operations.

Whether a gold deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to taxes, royalties, infrastructure, land use, import and export of gold, revenue repatriation and environmental protection. The effects of these factors cannot be accurately predicted, but the combination of these factors may preclude us from receiving an adequate return on invested capital. Our operations are, and will continue to be, subject to all of the hazards and risks normally associated with the exploration, development and production of gold, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage.

Depletion of our Mineral Reserves

We must continually replace mining reserves depleted by production to maintain production levels over the long term. This is done by expanding known mineral reserves or by locating or acquiring new mineral deposits. There is, however, a risk that depletion of reserves will not be offset by future discoveries. Exploration for minerals is highly speculative in nature and involves many risks. Many, if not most gold projects are unsuccessful and there are no assurances that current or future exploration programs will be successful. Further, significant costs are incurred to establish mineral reserves, open new pits and construct mining and processing facilities. Development projects have no operating history upon which to base estimates of future cash flow and are subject to the successful completion of feasibility studies, obtaining necessary government permits, obtaining title or other land rights and the availability of financing. In addition, assuming discovery of an economic mine or pit, depending on the type of mining operation involved, many years may elapse before commercial operations commence. Accordingly, there can be no assurances that our current programs will result in any new commercial mining operations or yield new reserves to replace or expand current reserves.

13. Risks and Uncertainties (continued)

Operational Risks (continued)

Water Supply

Our operations require significant quantities of water for mining, ore processing and related support facilities. Our operations in Africa may be in areas where water is scarce. Continuous production at our mines is dependent on our ability to access adequate water supply. Insufficient water supply, as a result of new regulations or otherwise, could materially adversely affect our financial condition and results of operation.

Availability of Infrastructure and Fluctuation in the Price of Energy and Other Commodities

The exploration and development of mineral deposits is dependent on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinant susceptible to affect our capital and operating costs. Lack of such infrastructure or unusual or infrequent weather phenomena, sabotage, terrorism, government or other interference in the maintenance or provision of such infrastructure could materially adversely affect our financial condition and results of operation.

More particularly, Sonabel, the National Electricity Company of Burkina Faso, is responsible for the construction of a high-voltage transmission line which will connect our Mana mine to the National power grid. Accordingly, we cannot predict with certainty when the line will be built, commissioned and the extent of its reliability. Any delay in the construction or commissioning or regarding the reliability of such Sonabel power line could impair our ability to realize anticipated savings at Mana.

In addition, our profitability is affected by the market price and availability of commodities that are consumed or otherwise used in connection with our operations such as diesel, fuel, electricity, steel, concrete and chemical (including cyanide). Prices of such commodities are affected by factors that are beyond our control. An increase in the cost or decrease in the availability of needed commodities may materially adversely affect our financial condition and results of operations.

Licenses and Permits

We require licenses and permits from various governmental authorities. We believe that we hold all necessary licenses and permits under applicable laws and regulations in respect of our properties and that we presently comply in all material respects with the terms of such licenses and permits. Such licenses and permits, however, are subject to change in various circumstances. There can be no guarantee that we will be able to obtain or maintain all necessary licenses and permits that may be required to continue to operate our current undertakings, explore and develop properties or commence construction or operation of mining facilities and properties under exploration or development. Failure to obtain new licenses and permits or successfully maintain current ones may materially adversely affect our financial condition and results of operations.

Political Risk

While the governments in Burkina Faso, Niger and Guinea have historically supported the development of their natural resources by foreign companies, there is no assurance that these governments will not in the future adopt different policies or new interpretations respecting foreign ownership of mineral resources, rates of exchange, environmental protection, labour relations, and repatriation of income or return of capital. Any limitation on transfer of cash or other assets between SEMAFO and our subsidiaries could restrict our ability to fund our operations and materially adversely affect our financial condition and results of operation.

Moreover, mining tax regimes in foreign jurisdictions are subject to differing interpretations and constant changes and may not include fiscal stability provisions. Our interpretation of taxation law, including fiscal stability provisions, as applied to our transactions and activities may not coincide with that of the tax authorities. As a result, taxes may increase and transactions may be challenged by tax authorities and our operations may be assessed, which could result in significant taxes, penalties and interest.

The possibility that a future government in any of our host countries may adopt substantially different policies or interpretations, which might extend to the expropriation of assets, cannot be ruled out. Political risk also includes the possibility of civil disturbances and political instability in these or neighboring countries.

Title Matters

While we have no reason to believe that the existence and extent of any mining property in which we have an interest is in doubt, title to mining properties is subject to potential claims by third parties. The failure to comply with all applicable laws and regulations, including failure to pay taxes and carry out and file assessment work within applicable time period, may invalidate title to all or portions of the properties covered by our permits and licences.

Suppliers and Outside Contractors Risk

We are dependent on various services, equipment, supplies and parts to carry out our operations. The shortage of any needed good, part or service may cause cost increases or delays in delivery time thereby materially adversely affecting our production schedules as well as financial condition and results of operations.

13. Risks and Uncertainties (continued)

Operational Risks (continued)

Suppliers and Outside Contractors Risk (continued)

Additionally, a significant portion of our operations in Niger continues to be conducted by contractors. As a result, our operations are subject to a number of risks, some of which are outside our control, including:

- negotiating agreements with contractors on acceptable terms
- the inability to replace a contractor and its operating equipment in the event that either party terminates the agreement
- reduced control over such aspects of operations that are the responsibility of the contractor
- failure of a contractor to perform under our contractual arrangement
- interruption of operations in the event that a contractor ceases its business due to insolvency or other events
- failure of a contractor to comply with applicable legal and regulatory requirements
- problems of a contractor in managing its workforce, labor unrest or other employment issues.

In addition, we may incur liability to third parties as a result of the actions of a contractor. The occurrence of one or more of these risks could have a material adverse effect on our financial condition and results of operation.

Competition

The mineral exploration and mining business is competitive in all of its phases. We compete with numerous other companies and individuals, including competitors with greater financial, technical and other resources, in the search for and the acquisition of attractive mineral properties, equipment and increasingly, human resources. There is no assurance that we will continue to be able to compete successfully with our competitors.

Qualified and Key Personnel

In order to operate successfully, we must find and retain qualified employees with strong knowledge and expertise in the mining environment. SEMAFO and other companies in the mining industry compete for qualified and key personnel and if we are unable to attract and retain qualified personnel or fail to establish adequate succession planning strategies, our financial condition and results of operation could be materially adversely affected.

Labour and Employment Relations

We are dependent on our workforce to extract and process minerals. Our relations with our employees may be impacted by changes in labour relations which may be introduced by, among others, employee groups, unions and governmental authorities. Furthermore, some of our employees are represented by labour unions under collective labour agreements. We may not be able to satisfactorily renegotiate our collective labour agreements upon their expiration. In addition, existing labour agreements may not prevent a strike or work stoppage at our facilities in the future. Labour disruptions at any of our properties could have a material adverse impact on our financial condition and results of operation.

Environmental Risks, Hazards and Costs

All phases of our operations are subject to environmental regulation in the various jurisdictions in which we operate. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. Environmental hazards which are unknown to us at present and which have been caused by previous or existing owners or operations of the properties may exist on our properties. Failure to comply with applicable environmental laws and regulations may result in enforcement actions and may include corrective measures that require capital expenditures or remedial actions. There is no assurance that future changes in environmental laws and regulations and permits governing operations and activities of mining companies, if any, will not materially adversely affect our operations or result in substantial costs and liabilities to us in the future.

Production at our mines involves the use of sodium cyanide which is a toxic material. Should sodium cyanide leak or otherwise be discharged from the containment system, we may become subject to liability for clean-up work that may not be insured. While all steps have been taken to prevent discharges of pollutants into ground water and the environment, we may become subject to liability for hazards that may not be insured.

In addition, natural resource companies are required to conduct their operations and rehabilitate the lands that they mine in accordance with applicable environmental regulations. Our estimates of the total ultimate closure and rehabilitation costs may be materially different from these actual costs. Any underestimated or unanticipated rehabilitation cost could materially adversely affect our financial condition and results of operations.

13. Risks and Uncertainties (continued)

Operational Risks (continued)

Insufficient Insurance

While we may obtain insurance against certain risks in such amounts as we consider adequate, available insurance may not cover all the potential risks associated with a mining company operations. We may also be unable to maintain insurance to cover insurable risks at economically feasible premiums and insurance coverage may not be available in the future or may not be adequate to cover any resulting loss. Moreover, insurance risks such as the validity of ownership of unpatented mining claims and mil sites and environmental pollution or other hazards as a result of exploration and production is not generally available to gold mining companies on acceptable terms. The potential costs which may be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, materially adversely affecting our financial condition and results of operation.

Resource Nationalism

As African governments continue to struggle with deficits and depressed economies, the gold mining sector has been targeted to raise revenues. Governments are continually assessing the terms for a mining company to exploit resources in their country. Burkina Faso has introduced proposed changes to its mining regime that reflect increased government control over mining operations and include changes affecting taxation, licensing, requirements for employments of local personnel or contractors and other benefits to be provided to local residents. If translated into applicable law, the trend in resource nationalism could materially adversely affect our financial condition and results of operation.

Surrounding Communities Relations

Natural resources companies face increasingly public scrutiny of their activities. We are under pressure to demonstrate that, as we seek to generate satisfactory returns to shareholders, other stakeholders including local governments and the communities surrounding our mines benefit from our commercial activities. The potential consequences of these pressures include reputational damages, lawsuits, increasing social investments obligations and pressure to increase taxes and royalties payable to local governments and surrounding communities. These pressures may also impair our ability to successfully obtain the permits and approvals required for our operations.

In addition, our properties in Burkina Faso, Niger and Guinea may be subject to the rights or asserted rights of various community stakeholders. Moreover, artisanal miners may make use of some or all of our properties which would interfere with exploration and development activities on such properties.

Reliance on Information Technology Systems

Our operations are dependent upon information technology systems. These systems are subject to disruption, damage or failure from a variety of sources. Failures in our information technology systems could translate into production downtimes, operational delays, compromising of confidential information or destruction or corruption of data. Accordingly, any failure in our information technology systems could materially adversely affect our financial condition and results of operation. Information technology systems failures could also materially adversely affect the effectiveness of our internal controls over financial reporting.

Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. We have in the past been, currently are, and may in the future be, involved in various legal proceedings. While we believe it is unlikely that the final outcome of these legal proceedings will have an adverse material effect on our financial condition and results of operation, defense costs will be incurred, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular or several combined legal proceedings will not have a material adverse effect on our financial condition and results of operation.

Anti-corruption Laws

We operate in jurisdictions that have experienced governmental and private sector corruption to some degree. We are required to comply with the *Corruption of Foreign Public Officials Act* (Canada) which has recently seen an increase in both the frequency of enforcement and severity of penalties. Although we are in the process of adopting a formal anti-corruption policy and our Code of conduct mandates compliance with anti-corruption laws, there can be no assurance that our internal controls policies and procedures will always protect us from recklessness, fraudulent behavior, dishonesty or other inappropriate acts. Violation or allege violation of anti-corruption laws could lead to civil and criminal fines and penalties, reputational damage and other consequences which may materially adversely affect our financial condition and results of operation.

14. Quarterly Information (unaudited, in accordance with IFRS)

(in thousands of dollars, except for amounts per share)	2013		2012[1]				2011	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Results								
Revenues – Gold sales	71,136	106,055	110,305	79,419	98,376	100,401	113,854	102,297
Operating income (loss)	(31,460)	(1,675)	(28,719)	11,885	12,102	38,044	47,448	40,756
Net income (loss)	(53,361)	(13,171)	(32,685)	7,460	(16,487)	31,342	38,196	31,320
Attributable to:								
- Equity shareholders	(46,475)	(7,290)	(25,751)	7,517	(17,515)	28,106	33,277	29,682
- Non-controlling interests	(6,886)	(5,881)	(6,934)	(57)	1,028	3,236	4,919	1,638
Total comprehensive income (loss):	(53,361)	(13,171)	(41,165)	7,460	(6,331)	23,980	35,402	31,320
Attributable to:								
- Equity shareholders	(46,475)	(7,290)	(34,231)	7,517	(7,359)	20,744	30,483	29,682
- Non-controlling interests	(6,886)	(5,881)	(6,934)	(57)	1,028	3,236	4,919	1,638
Basic earnings (loss) per share	(0.17)	(0.03)	(0.09)	0.03	(0.06)	0.10	0.12	0.11
Diluted earnings (loss) per share	(0.17)	(0.03)	(0.09)	0.03	(0.06)	0.10	0.12	0.11
Cash flow from operating activities[2]	24,280	38,798	48,564	24,855	42,600	40,196	54,325	43,139

1 Amounts have been restated for the adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. Please refer to note 4 of the condensed interim consolidated financial statements.

2 Cash flow from operating activities excludes changes in non-cash working capital items.

15. Information on Outstanding Shares

As at August 6, 2013, our share capital is comprised of 273,268,185 common shares issued and outstanding.

We have two stock option plans for our employees, officers, consultants and directors and those of our subsidiaries; the Stock Option Plan (the "Original Plan") and the 2010 Stock Option Plan (the "2010 Plan"). At the 2010 Annual General and Special Shareholders' Meeting, our shareholders adopted the 2010 Plan. Since the adoption of the 2010 Plan by SEMAFO's shareholders, no further options have been granted under the Original Plan.

The plans provide for the grant of non-transferable options for the purchase of common shares. As at August 6, 2013, stock options allowing its holders to purchase 9,446,241 common shares were outstanding.

16. Additional Information

Exchange rates are as follows:

	CAD / USD $		EUR / USD $	
	2013	2012	2013	2012
December 31 (closing)	–	0.9949	–	0.7584
March 31 (closing)	**1.0156**	0.9991	**0.7787**	0.7500
June 30 (closing)	**1.0512**	1.0191	**0.7686**	0.7894
First quarter (average)	**1.0090**	1.0012	**0.7570**	0.7618
Second quarter (average)	**1.0229**	1.0122	**0.7662**	0.7802

17. Disclosure Controls and Procedures

Management is responsible for establishing and maintaining adequate disclosure controls and internal controls over financial reporting. Any system of disclosure controls and internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in the Corporation's disclosure controls and internal controls over financial reporting during the quarter ended June 30, 2013 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

18. Non-IFRS Financial Performance Measures

Some of the indicators used by us to analyze and evaluate our results represent non-IFRS financial measures. We provide non-IFRS financial performance measures as they may be used by some investors to evaluate our financial performance. Since the non-IFRS performance measures do not have any standardized definition prescribed by IFRS, they may not be comparable to similar measures presented by other companies. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. For the non-IFRS financial performance measures not already reconciled within the document, we have defined the IFRS financial performance measures below and reconciled them to reported IFRS measures.

Cash Operating Cost

A reconciliation of cash operating cost calculated in accordance with the Gold Institute Standard to the operating costs is included in the following table:

	Three-month period ended June 30, 2013				Six-month period ended June 30, 2013			
Per Ounce Produced	**Mana**	**Samira Hill**	**Kiniero**	**Total**	**Mana**	**Samira Hill**	**Kiniero**	**Total**
Gold ounces produced	41,500	12,300	4,800	58,600	84,200	24,500	9,600	118,300
(in thousands of dollars except per ounce)								
Mining operation expenses (relating to ounces sold)	26,594	9,692	2,729	39,015	58,430	24,541	7,715	90,686
Government royalties and selling expenses	(2,886)	(790)	(254)	(3,930)	(6,766)	(2,241)	(781)	(9,788)
Effects of inventory adjustments (doré bars)	1,347	3,196	1,626	6,169	(189)	640	1,315	1,766
Operating costs (relating to ounces produced)	25,055	12,098	4,101	41,254	51,475	22,940	8,249	82,664
Cash operating cost (per ounce produced)	**604**	**984**	**854**	**704**	**611**	**936**	**859**	**699**

	Three-month period ended June 30, 2012				Six-month period ended June 30, 2012			
Per Ounce Produced	**Mana**	**Samira Hill**	**Kiniero**	**Total**	**Mana**	**Samira Hill**	**Kiniero**	**Total**
Gold ounces produced	42,500	13,800	4,200	60,500	90,500	26,700	4,200	121,400
(in thousands of dollars except per ounce)								
Mining operation expenses (relating to ounces sold)	31,557	12,276	2,883	46,716	61,646	23,731	3,658	89,035
Fixed expenses incurred during the temporary shutdown period	–	–	–	–	–	–	(775)	(775)
Government royalties and selling expenses	(3,663)	(1,394)	(367)	(5,424)	(7,801)	(2,665)	(367)	(10,833)
Effects of inventory adjustments (doré bars)	373	(371)	140	142	1,412	161	140	1,713
Operating costs (relating to ounces produced)	28,267	10,511	2,656	41,434	55,257	21,227	2,656	79,140
Cash operating cost (per ounce produced)	665	762	632	685	611	795	632	652

18. Non-IFRS Financial Performance Measures (continued)

Cash Operating Cost (continued)

Per tonne processed	Three month period ended June 30, 2013				Six-month period ended June 30, 2013			
	Mana	Samira Hill	Kiniero	Total	Mana	Samira Hill	Kiniero	Total
Tonnes of ore processed	712,100	398,100	105,800	1,216,000	1,424,000	814,800	228,400	2,467,200
(in thousands of dollars except per ounce)								
Mining operation expenses (relating to ounces sold)	26,594	9,692	2,729	39,015	58,430	24,541	7,715	90,686
Government royalties and selling expenses	(2,886)	(790)	(254)	(3,930)	(6,766)	(2,241)	(781)	(9,788)
Effects of inventory adjustments (doré bars and gold in circuit)	1,752	2,544	2,038	6,334	203	189	1,958	2,350
Operating costs (relating to tonnes processed)	25,460	11,446	4,513	41,419	51,867	22,489	8,892	83,249
Cash operating cost (per tonne processed)	**36**	**29**	**43**	**34**	**36**	**28**	**39**	**34**

Per tonne processed	Three month period ended June 30, 2012				Six-month period ended June 30, 2012			
	Mana	Samira Hill	Kiniero	Total	Mana	Samira Hill	Kiniero	Total
Tonnes of ore processed	644,200	414,400	121,700	1,180,300	1,271,000	837,000	121,700	2,229,700
(in thousands of dollars except per ounce)								
Mining operation expenses (relating to ounces sold)	31,557	12,276	2,883	46,716	61,646	23,731	3,658	89,035
Fixed expenses incurred during the temporary shutdown period	–	–	–	–	–	–	(775)	(775)
Government royalties and selling expenses	(3,663)	(1,394)	(367)	(5,424)	(7,801)	(2,665)	(367)	(10,833)
Effects of inventory adjustments (doré bars and gold in circuit)	619	89	192	900	624	723	192	1,539
Operating costs (relating to tonnes processed)	28,513	10,971	2,708	42,192	54,469	21,789	2,708	78,966
Cash operating cost (per tonne processed)	44	26	22	36	43	26	22	35

18. Non-IFRS Financial Performance Measures (continued)

Operating Cash Flow per Share

(in thousands except per share)	Three-month period ended June 30, 2013	Three-month period ended June 30, 2012	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012
Cash flow from operating activities[1]	**24,280**	42,600	**63,078**	81,753
Weighted average number of outstanding common shares	**273,268**	273,134	**273,258**	273,080
Operating cash flow per share	**0.09**	0.16	**0.23**	0.30

Adjusted Accounting Measures

	Three-month period ended June 30, 2013	Three-month period ended June 30, 2012[2]	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012[2]
Operating income as per IFRS	**(31,460)**	12,102	**(33,135)**	50,146
Impairment related to the Samira Hill Mine	**14,696**	–	**49,796**	–
Impairment related to the Kiniero Mine	**32,830**	–	**32,830**	–
Write-off of property, plant and equipment	**–**	16,998	**–**	16,998
Adjusted operating income	**16,066**	29,100	**49,491**	67,144
Net income (loss) attributable to shareholders' equity as per IFRS	**(46,475)**	(17,515)	**(53,765)**	10,591
Loss on the sale of current investment	**–**	24,297	**–**	24,297
Impairment of investment in GoviEx	**19,600**	–	**19,600**	–
Impairment related to the Samira Hill Mine	**14,696**	–	**49,796**	–
Impairment related to the Kiniero Mine	**32,830**	–	**32,830**	–
Write-off of property, plant and equipment[2]	**–**	16,998	**–**	16,998
Income taxes and non-controlling interest impact of the adjustments above	**(7,864)**	(4,377)	**(14,884)**	(4,377)
Adjusted net income attributable to equity shareholders	**12,787**	19,403	**33,577**	47,509
Weighted average number of outstanding shares	**273,268**	273,134	**273,258**	273,080
Adjusted basic earnings per share	**0.05**	0.07	**0.12**	0.17

19. Additional Information and Continuous Disclosure

This MD&A has been prepared as of August 6, 2013. Additional information on the Corporation is available through regular filings of press releases, financial statements and its Annual Information Form on SEDAR (www.sedar.com). These documents and other information about SEMAFO may also be found on our web site at www.semafo.com.

[4] Cash flow from operating activities excludes changes in non-cash working capital items.
[2] Amounts have been restated for the adoption of IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. Please refer to note 4 of the condensed interim consolidated financial statements.

20. Forward Looking Statements

This MD&A contains forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and accordingly, actual results and future events could differ materially from those expressed or implied in such statements. You are hence cautioned not to place undue reliance on forward-looking statements. These forward looking statements include statements regarding our expectations as to the market price of gold, production targets, timetables, mining operation expenses, capital expenditures and mineral reserves and resources estimates. Forward-looking statements include words or expressions such as "committed", "evolve", "become", "pursuing", "growth", "progress", "creation", "future", "fast-track", "will", "expect", "scheduled", "strategy", "anticipate", "objective", "maintaining", "guidance", "eventual", "trends", "estimated", "priorities", "could", "may", "believe" and other similar words or expressions. Factors that could cause future results or events to differ materially from current expectations expressed or implied by the forward looking statements include the ability to deliver on our strategic focus, the ability to improve our costs and operating efficiencies throughout our operations, the ability to create future cash flow, the ability to release our mineral reserves and resources estimate in the third quarter of 2013, the ability to fast-track the development of the Siou Sector, the ability to begin the Siou permitting process in the fourth quarter of 2013, the ability to begin stripping activities at Siou in the third quarter of 2014, the ability to close the Samira Hill Mine transaction, the ability to further reduce expenditures while maintaining efficiency,, the ability to wind down operations at the Samira Hill and Kiniero mines to a care and maintenance status, the ability to estimated the total cost of the construction of the Sonabel transmission line, Sonabel's ability to reimburse our $9.5 million advance, , fluctuations in the price of currencies, gold or operating costs, mining industry risks, uncertainty as to calculation of mineral reserves and resources, delays, requirements of additional financing, increase in tax or royalty rates or adoption of new interpretations related thereto, political and social stability in Africa (including our ability to maintain or renew licenses and permits) and other risks described in this MD&A and in our other documents filed from time to time with Canadian securities regulatory authorities. You can find further information with respect to these and other risks in filings made with the Canadian securities regulatory authorities available at www.sedar.com. Documents are also available on our website at www.semafo.com. We disclaim any obligation to update or revise these forward-looking statements, except as required by applicable law.

Notice to Reader

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

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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FINANCIAL STATEMENTS

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

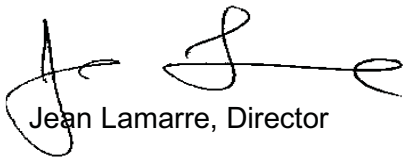
Interim Consolidated Statement of Financial Position

(Expressed in thousands of US dollars - unaudited)

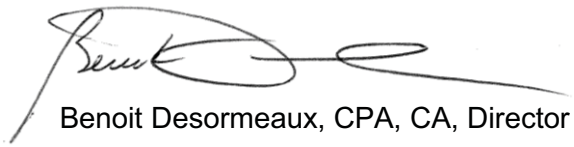
	As at June 30, 2013 $	As at December 31, 2012 $ (Restated note 4)
Assets		
Current assets		
Cash and cash equivalents (note 6)	116,413	139,451
Trade and other receivables (note 7)	24,496	30,395
Inventories (note 8)	77,249	96,829
Other current assets	6,793	6,432
	224,951	273,107
Non-current assets		
Restricted cash	3,376	923
Property, plant and equipment (note 10)	391,739	404,716
Other assets (note 9)	4,050	–
Investment (note 13)	–	19,600
Deferred income tax asset	–	3,000
	399,165	428,239
Total assets	624,116	701,346
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	59,355	67,020
Restricted share unit liabilities	540	–
Provisions (note 12)	2,354	2,588
Advance payable	961	915
Income tax payable	10,865	8,276
Dividends payable	5,199	5,492
	79,274	84,291
Non-current liabilities		
Restricted share unit liabilities	1,000	2,001
Provisions (note 12)	13,528	12,487
Deferred income tax liabilities	665	2,040
Total liabilities	94,467	100,819
Equity		
Equity Shareholders		
Share capital	455,328	455,179
Contributed surplus	12,936	12,232
Retained earnings	60,097	119,113
	528,361	586,524
Non-controlling interests	1,288	14,003
Total equity	529,649	600,527
Total liabilities and equity	624,116	701,346

Financial commitments (note 20)

Approved by the Board of Directors,



Jean Lamarre, Director



Benoit Desormeaux, CPA, CA, Director

Interim Consolidated Statement of Income (Loss)

(Expressed in thousands of US dollars, except per share amounts - unaudited)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013 $	2012 $ (Restated note 4)	2013 $	2012 $ (Restated note 4)
Revenue – Gold sales	71,136	98,376	177,191	198,777
Costs of operations				
Mining operation expenses (note 14)	39,015	46,716	90,686	89,035
Depreciation of property, plant and equipment	12,406	15,264	26,629	27,514
General and administrative (note 15)	4,274	5,435	9,561	11,754
Corporate social responsibility expenses	45	1,514	781	2,205
Share-based compensation (note 16)	(670)	347	43	1,125
Write-off of property, plant and equipment (note 10)	–	16,998	–	16,998
Impairment (note 11)	47,526	–	82,626	–
Operating income (loss)	(31,460)	12,102	(33,135)	50,146
Other expenses (income)				
Finance income	(45)	(64)	(75)	(150)
Finance costs (note 17)	582	847	1,021	1,094
Foreign exchange loss (gain)	(620)	449	182	801
Impairment of investment in GoviEx (note 13)	19,600	–	19,600	–
Loss on the sale of current investment (note 13)	–	24,297	–	24,297
Income (loss) before income taxes	(50,977)	(13,427)	(53,863)	24,104
Income tax expense (recovery)				
Current	3,937	879	10,751	12,285
Deferred	(1,553)	2,181	1,918	(3,036)
	2,384	3,060	12,669	9,249
Net income (loss) for the period	(53,361)	(16,487)	(66,532)	14,855
Attributable to:				
Equity shareholders	(46,475)	(17,515)	(53,765)	10,591
Non-controlling interests (note 18)	(6,886)	1,028	(12,767)	4,264
	(53,361)	(16,487)	(66,532)	14,855
Earnings (loss) per share (note 19)				
Basic	(0.17)	(0.06)	(0.20)	0.04
Diluted	(0.17)	(0.06)	(0.20)	0.04

Interim Consolidated Statement of Comprehensive Income (Loss)

(Expressed in thousands of US dollars - unaudited)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013 $	2012 $ (Restated note 4)	2013 $	2012 $ (Restated note 4)
Net income (loss) for the period	(53,361)	(16,487)	(66,532)	14,855
Other comprehensive income (loss)				
Item that may be classified to net income (loss)				
Change in fair value of investments (net of tax impact of nil)	(19,600)	(14,141)	(19,600)	(21,503)
Reclassification of accumulated other comprehensive loss to net income (loss) (net of tax of nil)	19,600	24,297	19,600	24,297
Other comprehensive income for the period, net of tax	–	10,156	–	2,794
Total comprehensive income (loss) for the period	(53,361)	(6,331)	(66,532)	17,649
Attributable to:				
Equity shareholders	(46,475)	(7,359)	(53,765)	13,385
Non-controlling interests	(6,886)	1,028	(12,767)	4,264
	(53,361)	(6,331)	(66,532)	17,649

Interim Consolidated Statement of Changes in Equity

(Expressed in thousands of US dollars, except for shares - unaudited)

	Attributable to equity shareholders							
	Share capital							
	Common Shares[1] (in thousands)	Amount $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total $	Non-controlling interests $	TOTAL EQUITY $
Balance – January 1, 2012	273,004	454,746	10,935	5,686	138,467	609,834	16,659	626,493
Net income for the period	–	–	–	–	10,591	10,591	4,264	14,855
Other comprehensive income (loss) for the period								
Item that may be classified to net income								
Changes in fair value of current investment (net of tax of nil)	–	–	–	(21,503)	–	(21,503)	–	(21,503)
Reclassification of accumulated other comprehensive loss to net income related to investment sold	–	–	–	24,297	–	24,297	–	24,297
Total comprehensive income for the period	–	–	–	2,794	10,591	13,385	4,264	17,649
Share-based compensation (note 16)	–	–	978	–	–	978	–	978
Shares issued from the exercise of options (note 16)	167	339	(97)	–	–	242	–	242
Dividends declared	–	–	–	–	(5,631)	(5,631)	–	(5,631)
Non-controlling interests' share of transactions in subsidiaries' equity	–	–	–	–	(833)	(833)	833	–
Balance – June 30, 2012[2]	**273,171**	**455,085**	**11,816**	**8,480**	**142,594**	**617,975**	**21,756**	**639,731**
Balance – January 1, 2013[2]	**273,218**	**455,179**	**12,232**	**–**	**119,113**	**586,524**	**14,003**	**600,527**
Net loss for the period	–	–	–	–	(53,765)	(53,765)	(12,767)	(66,532)
Other comprehensive income (loss) for the period								
Item that may be classified to net loss								
Changes in fair value of investment in GoviEx (net of tax of nil)	–	–	–	(19,600)	–	(19,600)	–	(19,600)
Reclassification of accumulated other comprehensive loss to net loss	–	–	–	19,600	–	19,600	–	19,600
Total comprehensive loss for the period	–	–	–	–	(53,765)	(53,765)	(12,767)	(66,532)
Share-based compensation (note 16)	–	–	745	–	–	745	–	745
Shares issued from the exercise of options (note 16)	50	149	(41)	–	–	108	–	108
Dividends declared[3]	–	–	–	–	(5,199)	(5,199)	–	(5,199)
Non-controlling interests' share of transactions in subsidiaries' equity	–	–	–	–	(52)	(52)	52	–
Balance – June 30, 2013	**273,268**	**455,328**	**12,936**	**–**	**60,097**	**528,361**	**1,288**	**529,649**

[1] There were no common shares that were unpaid as of June 30, 2013 (2012: nil).

[2] Amounts have been restated for the adoption of IFRIC 20. Refer to note 4.

[3] On May 13, 2013, the Board of Directors approved a cash dividend of $C0.02 per common share, payable on July 15, 2013 to shareholders of record at the close of business on June 30, 2013.

Interim Consolidated Statement of Cash Flows

(Expressed in thousands of US dollars - unaudited)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013 $	2012 $ (Restated note 4)	2013 $	2012 $ (Restated note 4)
Cash flows from (used in):				
Operating activities				
Net income (loss) for the period	(53,361)	(16,487)	(66,532)	14,855
Adjustments for :				
Depreciation of property, plant and equipment	12,406	15,264	26,629	27,514
Share-based compensation	(670)	347	43	1,125
Write-off of property, plant and equipment	–	16,998	–	16,998
Impairment	47,526	–	82,626	–
Impairment of investment in GoviEx	19,600	–	19,600	–
Loss on the sale of current investment	–	24,297	–	24,297
Deferred income taxes expense (recovery)	(1,553)	2,181	1,918	(3,036)
Others	332	(809)	(1,206)	234
	24,280	42,600	63,078	81,753
Changes in non-cash working capital items (note 21 a)	(8,506)	(30,533)	(11,574)	(11,979)
	15,774	12,067	51,504	69,774
Financing activities				
Proceeds on issuance of share capital	–	195	108	242
Reimbursement of advance payable	–	(1,000)	–	(1,000)
Payment of dividends to equity shareholders	–	–	(5,492)	(5,348)
	–	(805)	(5,384)	(6,106)
Investing activities				
Current investment	–	–	–	(4,813)
Advance made to Sonabel (note 9)	(4,050)	–	(4,050)	–
Proceeds from the sale of current investment	–	5,617	–	5,617
Acquisitions of property, plant and equipment	(30,385)	(42,912)	(63,525)	(96,112)
Decrease (increase) in restricted cash	(1,380)	–	(2,453)	303
	(35,815)	(37,295)	(70,028)	(95,005)
Effect of exchange rate changes on cash and cash equivalents	(819)	1,328	870	621
Change in cash and cash equivalents during the period	(20,860)	(24,705)	(23,038)	(30,716)
Cash and cash equivalents – beginning of period	137,273	173,745	139,451	178,713
Cash and cash equivalents – end of period	116,413	149,040	116,413	147,997
Interest paid	–	–	–	–
Interest received	45	64	75	150
Income tax paid	1,569	12,537	7,869	16,945

Supplementary cash flow information (note 21)

1. Incorporation and nature of activities of the Corporation

SEMAFO Inc. (the "Corporation") is governed by the Business Corporations Act (Quebec) and is listed on the Toronto Stock Exchange and on the NASDAQ OMX Stockholm exchange. The Corporation's headquarters is located at 100 Alexis-Nihon blvd., 7th floor, Saint-Laurent, Quebec, H4M 2P3.

The Corporation's subsidiaries are engaged in gold mining activities including exploration, development and operations. These activities are conducted in West Africa. The Corporation's subsidiaries presently own and operate three gold mines in Burkina Faso, Niger and Guinea. The Corporation's subsidiaries have interests in mining properties. The potential for recovery of costs incurred on these properties and of related deferred charges depends on the existence of sufficient quantities of reserves, the ability to obtain all required permits, the ability to obtain appropriate financing to put these mining properties into production and the ability to realize a profitable return for the Corporation.

2. Basis of preparation

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

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Corporation's annual financial statements for the year ended December 31, 2012, except for the changes in accounting policies presented in note 4. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2012 and the interim consolidated financial statements for the three-month period ended March 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved these condensed interim consolidated financial statements on August 6, 2013.

3. New accounting standard issued but not yet in effect

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple categories and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), for debt instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they are largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. The Corporation is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements.

4. New accounting standards issued and in effect

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

The IASB issued or amended the following standards which are relevant: IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests in Other Entities*; IFRS 13, *Fair Value Measurement*; amended IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*; and IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mining*. Each of the new standards or amendments is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. Also, there were amendments to IAS 1, *Presentation of Financial Statements* effective for annual periods beginning on or after July 1, 2012.

The following is a brief summary of the new standards or amendments:

IFRS 10, *Consolidated Financial Statements* ("IFRS 10")

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation – Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*. The Corporation has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries.

IFRS 11, *Joint Arrangements* ("IFRS 11")

IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set in IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). The adoption of IFRS 11 did not affect the Corporation's consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose entities and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Corporation has assessed that adopting IFRS 12 has no impact on its consolidated financial statements.

IFRS 13, *Fair Value Measurement* ("IFRS 13")

IFRS 13, *Fair value measurement*, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Corporation adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013. However, additional disclosures on financial instruments are required.

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20")

IFRIC 20 was issued in October 2011. It provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when one of the two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory or improved access to further quantities of material that will be mined in future periods. We have adopted IFRIC 20 effective January 1, 2013. Upon adoption of IFRIC 20, we assessed the stripping asset on the balance sheet as at January 1, 2012 and determined that there are identifiable component of the ore body with which this stripping asset can be associated. Accordingly, no opening consolidated statement of financial position as at January 1, 2012 was presented as no balance adjustment was recorded.

4. New accounting standards issued and in effect (continued)

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20") (continued)

The effect of the adoption of IFRIC 20 is as follows:

Adjustments to the consolidated statement of financial position

	As at December 31, 2012 (Previously stated)	Adjustments for change in Accounting Policy (IFRIC 20)	**As at December 31, 2012 (Restated)**
Property, plant and equipment	406,030	(1,314)	**404,716**
Retained earnings	120,152	(1,039)	**119,113**
Non-controlling interests	14,278	(275)	**14,003**

Adjustments to the consolidated statements of income (loss)

	For the three-month period ended June 30, 2012 (Previously stated)	Adjustments for change in Accounting Policy (IFRIC 20)	**For the three-month period ended June 30, 2012 (Restated)**
Depreciation of property, plant and equipment	15,257	7	**15,264**
Increase in net loss for the period		(7)	
Net loss attributable to:			
Equity shareholders	(17,544)	29	**(17,515)**
Non-controlling interests	1,064	(36)	**1,028**
Increase in net loss for the period		(7)	
Loss per share			
Basic	(0.06)	–	**(0.06)**
Diluted	(0.06)	–	**(0.06)**

	For the six-month period ended June 30, 2012 (Previously stated)	Adjustments for change in Accounting Policy (IFRIC 20)	**For the six-month period ended June 30, 2012 (Restated)**
Depreciation of property, plant and equipment	27,378	136	**27,514**
Decrease in net income for the period		(136)	
Net income attributable to:			
Equity shareholders	10,578	13	**10,591**
Non-controlling interests	4,413	(149)	**4,264**
Decrease in net income for the period		(136)	
Earnings per share			
Basic	0.04	–	**0.04**
Diluted	0.04	–	**0.04**

4. New accounting standards issued and in effect (continued)

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20") (continued)

Adjustments to the consolidated statements of cash flow

	For the three-month period ended June 30, 2012 (Previously stated)	Adjustments for change in Accounting Policy (IFRIC 20)	**For the three-month period ended June 30, 2012 (Restated)**
Operating activities			
Net loss for the period	(16,480)	(7)	**(16,487)**
Adjustment for depreciation of property, plant and equipment	15,257	7	**15,264**
Change in cash flow operating activities		–	

	For the six-month period ended June 30, 2012 (Previously stated)	Adjustments for change in Accounting Policy (IFRIC 20)	**For the six-month period ended June 30, 2012 (Restated)**
Operating activities			
Net income for the period	14,991	(136)	**14,855**
Adjustment for depreciation of property, plant and equipment	27,378	136	**27,514**
Change in cash flow operating activities		–	

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements* ("IAS 27R"), and IAS 28. IAS 27R addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13. The Corporation assessed that the impact of these amendments on its consolidated financial statements is not significant.

Moreover, amendments to IAS 1, *Presentation of Financial Statements* have been made to require entities to group items within other comprehensive income (loss) that may be reclassified to net income (loss). The Corporation has grouped such items in its consolidated statement of comprehensive income (loss) beginning January 1, 2013.

5. Critical accounting estimates and judgements

Impairment of non-financial assets

Assets are reviewed for an indication of impairment at each statement of financial position date and upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends including the price of gold, and current, historical or projected losses that demonstrate continuing losses, decrease in market capitalization and deferral of capital investments.

The Corporation's recoverable amount measurement with respect to the carrying amount of non-financial assets are based on numerous assumptions and may differ significantly from actual recoverable amount.

The recoverable amount is based, in part, on certain factors that may be partially or totally outside of the Corporation's control. This evaluation involves a comparison of the estimated recoverable amount of non-financial assets to its carrying values. The Corporation's recoverable amount estimates are based on numerous assumptions such as, but not limited to, estimated realized gold prices, operating costs, gold recovery, mineral reserves and resources, capital and site restoration expenditures and estimated future foreign exchange rates, and may differ from actual values and these differences may be significant and could have a material impact on the Corporation's financial position and result of operation. Mineral reserve and resource estimates are the most important variable in the Corporation's recoverable amount estimates. A decrease in the reserves or resources may result in an impairment charge, which could reduce the Corporation's earnings.

Management's estimates of future cash flows are subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect recoverability of the Corporation's non-financial assets.

As at June 30, 2013, the carrying amount of the Corporation's net assets exceeded its market capitalization, which is an indicator of potential impairment of the carrying amount of our cash generating units ("CGUs"). Consequently, and as a result of recent significant declines in gold prices, the Corporation conducted impairment testing of the following CGUs as at June 30, 2013: the Mana Mine in Burkina Faso, the Samira Hill Mine in Niger and the Kiniero Mine in Guinea. We assessed the recoverable amount of the Mana Mine and determined that the fair value less cost to sell is greater than its carrying amount and therefore no impairment charge was recorded. For the three-month period ended June 30, 2013, impairment charges of $47,526,000 (2012: nil) was recorded (including write-down of inventories to their net realizable value), which included an impairment charge of $32,830,000 (2012: nil) at the Kiniero Mine in Guinea prompted by the decision to wind down operations to an eventual care and maintenance status at the Kiniero Mine in 2013 and an additional impairment charge of $14,696,000 (2012: nil) at the Samira Hill Mine.

For the six-month period ended June 30, 2013, impairment charges totalled $82,626,000 (2012: nil) (including write-down of inventories to their net realizable value) and included charges of $47,526,000 related to the Samira Hill Mine and the Kiniero Mine made during the second quarter of 2013 as discussed above. It also comprised an impairment charge of $35,100,000 recorded within the Samira Hill Mine segment in the first quarter of 2013, for non-financial assets, following the decision to defer capital investment at Samira Hill and to wind down operations to an eventual care and maintenance status at Samira Hill in 2013.

As a result of these impairments, as at June 30, 2013, the carrying amount of the Samira Hill Mine's net liabilities totalled $1,067,000 before non-controlling interest. In addition, non-controlling interest totalling $14,880,000 will be expensed only when there is a sale or a legal dissolution of the mine.

As at June 30, 2013, the carrying amount of the Kiniero Mine's net assets totalled $4,302,000 before non-controlling interest. In addition, non-controlling interest totalling $9,320,000 will be expensed only when there is a sale or a legal dissolution of the mine.

Please refer to note 11 of the financial statements for the result of the impairment testing conducted for the Samira Hill and Kiniero mines.

Asset Retirement Obligations

Asset retirement obligations arise from the development, construction and normal operation of mining property, plant and equipment as mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and expenditures have been made, and will be made in the future, to comply with such laws and regulations.

5. Critical accounting estimates and judgements (continued)

Asset Retirement Obligations (continued)

The estimated present value of reclamation liabilities is recorded in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The liability will be increased each period to reflect the interest element or accretion reflected in its initial measurement at fair value, and will also be adjusted for changes in the estimate of the amount, timing change in discount rate and cost of the work to be carried out.

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs that will be incurred to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. The estimates are dependent on labor costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and pre-tax interest rates that reflect current market assessment for the time value of money and the risks specific to the obligation. Management also estimates the timing of the outlays, which is subject to change depending on continued operations and newly discovered mineral reserves.

Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Corporation. Increases in future costs could materially impact the operating results. An asset retirement obligations study is currently under review and is expected to be completed in 2013.

6. Cash and cash equivalents

	As at June 30, 2013 $	As at December 31, 2012 $
Cash	**95,413**	119,451
Cash equivalents	**21,000**	20,000
	116,413	139,451

Cash comprises cash on hand and demand deposits amounting to $95,413,000 which includes $23,072,000 of cash on hand bearing interest at a rate of 0.4000% annually as at June 30, 2013.

As at June 30, 2013, cash equivalents are composed of three zero coupon bank deposits of $5,000,000 each and one zero coupon bank deposit of $6,000,000 (totalling $21,000,000), maturing between September 23, 2013 and December 18, 2013 and bearing interest at a rate between 0.1225% and 0.1325% per annum.

As at December 31, 2012, cash comprised cash on hand and demand deposits amounting to $119,451,000 which includes $33,530,000 of cash on hand bearing interest at a rate of 0.4000% annually.

As at December 31, 2012, cash equivalents are composed of four zero coupon bank deposits of $5,000,000 each (totalling $20,000,000), bearing interest at a rate between 0.1525% and 0.1700% per annum and maturing between March 26, 2013 and June 21, 2013.

Despite these bank deposits having an investment period of over 90 days, they are deemed highly liquid cash equivalent items as they can be redeemed at any time without penalties.

7. Trade and other receivables

	As at June 30, 2013 $	As at December 31, 2012 $
Gold trade receivables	**66**	11,119
Other receivables	**24,430**	19,276
	24,496	30,395

Trade receivables relate to gold shipments not yet collected. They are non-interest bearing and are generally settled within 15 days after the day of the shipment. The trade receivables are neither past due nor impaired.

Other receivables include value added tax ("VAT") receivables totalling $23,178,000 as of June 30, 2013 (December 31, 2012: $17,978,000). They are non-interest bearing and are generally settled within one to six months.

For the three-month period ended June 30, 2013, bad debt expense on VAT receivables related to the Kiniero Mine amounted to $350,000 (2012: $217,000). For the six-month period ended June 30, 2013, bad debt expense on VAT receivables related to the Kiniero Mine amounted to $743,000 (2012: $365,000).

Other receivables totalling $815,000 were also written down further to the results of the impairment test made of the Samira Hill Mine (see note 11).

As at June 30, 2013, there were no VAT receivables past due for which an allowance for doubtful account was not recorded (December 31, 2012: nil).

The Corporation holds no collateral for any receivable amounts outstanding as at June 30, 2013 (December 31, 2012: nil).

8. Inventories

	As at June 30, 2013 $	As at December 31, 2012 $
Doré bars	**8,915**	7,714
Gold in circuit	**15,142**	13,640
Stockpiles	**2,132**	7,102
Supplies and spare parts	**51,060**	68,373
	77,249	96,829

The cost of inventory that was charged to expenses represents mostly mining operation expenses and essentially all of the depreciation of property, plant and equipment.

For the three-month period ended June 30, 2013, obsolescence provision expense amounting to $201,000 was recorded (2012: $221,000). For the six-month period ended June 30, 2013, obsolescence provision expense amounting to $222,000 was recorded (2012: $329,000).

In addition, in the three-month period ended June 30, 2013, stockpiles and supplies and spare parts were written down by $1,040,000 and $20,845,000 respectively to their net realizable value. For the six-month period ended June 30, 2013, stockpiles and supplies and spare parts were written down by $6,240,000 and $24,845,000 respectively. These write-downs of inventories totalling $21,885,000 and $31,085,000 for the three-month and six-month periods ended June 30, 2013 respectively relate to the decision to wind down operations to an eventual care and maintenance status at the Kiniero and Samira Hill mines in 2013 (refer to note 11 for additional information). There were no reversals of write-down in the three-month and six-month periods ended June 30, 2013 (2012: nil).

9. Other assets

On October 1, 2011, the Corporation entered into an agreement with the National Electricity Company Sonabel (''Sonabel''), in Burkina Faso, pursuant to which the Corporation will advance $8,926,000 (4,500,000,000 FCFA) for the construction of a high-voltage transmission line to deliver power to the Mana Mine. This amount is reimbursable to the Corporation by Sonabel over an eight-year period following commissioning which is currently scheduled for the third quarter of 2014.

As at June 30, 2013, an amount of $4,050,000 has been advanced to Sonabel with respect to this project. The advance is non-interest bearing and measured at amortized cost using the effective interest rate method. As at June 30, 2013, the Corporation recorded an advance receivable of $2,762,000 which has been determined using a weighted average discount rate of 7%. An intangible asset of $1,288,000 was recorded, which is the difference between the amount paid to Sonabel and the advance receivable recorded at the date of transaction. This intangible asset represents the right to obtain future benefit through the future savings of energy cost.

(Expressed in US dollars except where otherwise indicated – amounts in tables are presented in thousands of US dollars - unaudited)

10. Property, plant and equipment

	Property, acquisition costs, deferred exploration and development costs	Buildings and equipment related to mining production	Mining equipment	Rolling stock, communication and computer equipment	TOTAL
	$	$	$	$	$
Six-month period ended June 30, 2013					
Opening net book amount[1]	187,773	134,494	76,112	6,337	404,716
Additions	54,615	10,928	2,453	538	68,534
Impairment (note 11)	(32,325)	(14,636)	(3,185)	(580)	(50,726)
Depreciation charge	(17,469)	(5,099)	(7,157)	(1,060)	(30,785)
Closing net book amount	**192,594**	**125,687**	**68,223**	**5,235**	**391,739**
As at June 30, 2013					
Cost	434,808	231,914	118,725	18,509	803,956
Accumulated depreciation	(242,214)	(106,227)	(50,502)	(13,274)	(412,217)
Net book amount	**192,594**	**125,687**	**68,223**	**5,235**	**391,739**
Assets not subject to depreciation included in above[2]	3,611	13,406	146	355	17,518
Year ended December 31, 2012[1]					
Opening net book amount	183,205	122,445	50,475	6,062	362,187
Additions	100,035	38,277	42,588	3,286	184,186
Write-off[3]	(16,998)	–	–	–	(16,998)
Impairment (note 11)	(40,380)	(12,720)	(6,000)	(900)	(60,000)
Depreciation charge	(38,089)	(13,508)	(10,951)	(2,111)	(64,659)
Closing net book amount	187,773	134,494	76,112	6,337	404,716
As at December 31, 2012[1]					
Cost	380,193	220,986	116,272	17,971	735,422
Accumulated depreciation	(192,420)	(86,492)	(40,160)	(11,634)	(330,706)
Net book amount	187,773	134,494	76,112	6,337	404,716
Assets not subject to depreciation included in above[2]	4,800	35,350	18,796	133	59,079

[1] Amounts have been restated for the adoption of IFRIC 20. Refer to note 4.

[2] Assets not subject to depreciation include critical spare parts not yet installed of $5,932,000 (December 31, 2012: $6,369,000) as well as assets under construction or in transit of $11,586,000 (December 31, 2012: $52,710,000).

[3] In 2012, the Corporation recorded a write-off of $16,998,000 on its property, plant and equipment. These charges were the result of the conversion of the Mana underground mining operations in Burkina Faso to a super pit mining scenario. They mainly consist of expenditures associated with feasibility studies, subcontractor expenditures and infrastructure specifically related to the underground project. Recoverable amount has been determined based on the fair value less cost to sale of the assets estimated at nil. The fair value less cost to sell was based on the best information available to reflect the amount that an entity could obtain from the disposal of the asset.

11. Impairment

As at June 30, 2013, the carrying amount of the Corporation's net assets exceeded its market capitalization, which is an indicator of potential impairment of the carrying amount of our CGUs. Consequently, and as a result of recent significant declines in gold prices, the Corporation conducted impairment testing of the following CGUs as at June 30, 2013: the Mana Mine in Burkina Faso, the Samira Hill Mine in Niger and the Kiniero Mine in Guinea. We assessed the recoverable amount of the Mana Mine and determined that the fair value less cost to sell is greater than its carrying amount and therefore no impairment charge was recorded.

As at June 30, 2013, at the Samira Hill and Kiniero mines, the result of the impairment test suggests that the recoverable amount calculated using the fair value less cost to sell, which was determined based on discounted cash flows, was lower than the carrying amount of the cash-generating unit. The post-tax discount rate, adjusted for inflation, used in the calculation of fair value less cost to sell was 8.5%.

Accordingly, for the three-month ended June 30, 2013, the Corporation recorded impairment charges totalling $47,526,000 (2012: nil). This included an amount of $32,830,000 related to the Kiniero Mine, all of which $23,525,000 is for property, plant and equipment and $9,305,000 for stockpiles as well as supplies and spare parts (see note 8) was recorded within the Kiniero Mine segment in the interim consolidated statement of income (loss). The impairment at the Kiniero Mine was prompted by the decision to wind down operations to an eventual care and maintenance status at the Kiniero Mine in 2013. Impairment charges also included an amount of $14,696,000 related to the Samira Hill Mine, all of which $1,301,000 is for property, plant and equipment, $12,580,000 for mainly supplies and spare parts (see note 8) and $815,000 for other receivables recorded within the Samira Hill Mine segment in the interim consolidated statement of income (loss).

For the six-month period ended June 30, 2013, impairment charges totalled $82,626,000 (2012: nil) and included charges of $47,526,000 related to the Samira Hill and Kiniero mines made during the second quarter of 2013 as discussed above. It also comprised an impairment charge of $35,100,000 recorded within the Samira Hill Mine segment in the first quarter of 2013, for non-financial assets, following the decision to defer capital investment at Samira Hill and to wind down operations to an eventual care and maintenance status at Samira Hill in 2013.

12. Provisions

	Asset retirement obligations $	Others $	Total $
As at January 1, 2012	8,505	–	8,505
Additional provisions	1,274	4,700	5,974
Increase due to accretion expense	596	–	596
As at December 31, 2012	10,375	4,700	15,075
Additional provisions	**820**	**–**	**820**
Increase due to accretion expense	**364**	**123**	**487**
Used during period	**(11)**	**(489)**	**(500)**
As at June 30, 2013	**11,548**	**4,334**	**15,882**

12. Provisions (continued)

	As at June 30, 2013 $	As at December 31, 2012 $
Current	**2,354**	2,588
Non-current	**13,528**	12,487
	15,882	15,075

The liability for asset retirement obligations as at June 30, 2013 was $11,548,000 (December 31, 2012: $10,375,000). The estimated undiscounted value of this liability was $14,110,000 (December 31, 2012: $12,752,000). These disbursements are expected to be made during the years 2013 to 2021. In the three-month period ended June 30, 2013, an accretion expense component of $181,000 (2012: $149,000) has been charged to operations in finance costs to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a weighted average discount rate of 7% (2012: 7%).

In the six-month period ended June 30, 2013, an accretion expense component of $364,000 (2012: $ 299,000) has been charged to operations in finance costs to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a weighted average discount rate of 7% (2012: 7%).

Other provisions include a special compensation arrangement of $2,334,000 (December 31, 2012: $2,700,000) made with the former President and Chief Executive Officer for which the undiscounted value of the special compensation arrangement was $2,676,000 (December 31, 2012: $3,218,000). The remaining provision is a tax provision of $2,000,000 (December 31, 2012: $2,000,000) related to the tax assessment received from the government of Burkina Faso. The Corporation is vigorously defending its positions and has initiated administrative procedures of revision pursuant to local procedures.

13. Financial Instruments

Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of income (loss) or in the consolidated statement of comprehensive income (loss). These categories are: loans and receivables, available-for-sale financial assets and liabilities at amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories as at June 30, 2013 and December 31, 2012.

	As at June 30, 2013 $	As at December 31, 2012 $
Financial assets		
Loans and receivables		
Cash and cash equivalents	**116,413**	139,451
Restricted cash	**3,376**	923
Gold trade receivables	**66**	11,119
Advance receivable	**2,762**	–
Other receivables (excluding VAT)	**1,252**	1,298
Available-for-sale assets		
Investment (current)	**–**	–
Investment in GoviEx	**–**	19,600
	123,869	172,391
Financial liabilities		
Amortized cost		
Trade payable and other financial liabilities	**54,302**	53,853
Dividend payable	**5,199**	5,492
Advance payable	**961**	915
	60,462	60,260

Fair value

The Corporation considers that the carrying amount of all its financial liabilities at amortized cost in its financial statements approximates their fair value, including the advance payable which is considered to approximate its fair value given its short-term maturity date. Current financial assets and liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities; this includes cash and cash equivalents, gold trade receivables, other receivables (excluding VAT), restricted cash, trade payable and other financial liabilities, dividend payable and advance payable. The carrying amount of the advance receivable equals its fair value as the advance receivable is accounted for using the effective interest rate method.

The fair value hierarchy under which the Corporation's financial instruments are valued is as follows:

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly
- Level 3 includes inputs for the asset or liability that are not based on observable market data

13. Financial Instruments (continued)

Fair value (continued)

The Corporation's finance department is responsible for performing the valuation of financial instruments, including Level 3 fair values. The valuation process and results are reviewed and approved by management every quarter, in line with the Corporation's quarterly reporting dates. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Corporation's financial statements. On the basis of its analysis of the nature, characteristics and risks of equity securities, the Corporation has determined that presenting them by industry and type of investment is appropriate.

The investment in GoviEx Uranium Inc. ("GoviEx"), a private mineral resources company focused on the exploration and development of uranium properties in Niger, is included in investment. Its fair value is a recurring measurement. The Corporation estimates the fair value of the investment in GoviEx using the most recent available information on this private equity investment. Accordingly, this investment is classified as a level 3 financial instrument according to the Corporation's fair value hierarchy as it is not based on observable market data. Should the most recent available information not be deemed appropriate to adequately determine the fair value of the investment in GoviEx, management will determine the fair value of this investment through the application of a market approach utilizing the average variation of the share price calculated from guidelines of public companies or stock market index for a given period.

In February 2008, the Corporation completed a transaction with GoviEx, aimed at combining the companies' interests in uranium mining projects. As part of this transaction, the Corporation sold all its shares in its subsidiary Semafo Energy (Barbados) Limited, in which the Corporation had already invested $2,151,000, in consideration for approximately 12% of GoviEx's outstanding shares at the transaction date. The transaction resulted in a non-cash gain of $17,849,000 and transaction fees of $400,000.

During the second quarter of 2013, GoviEx issued a technical economic analysis prepared by SRK Consulting (UK) Limited for its Madaouela uranium project in Niger. The base case project economics assume a long-term uranium price of US$70/lb. Based on the current uranium market price, this project does not meet our minimal profitability criteria. In addition, GoviEx is in the process of restructuring its debt, which may create material dilution of the Corporation's ownership in GoviEx. By combining the low profitability of the project and the potentially material dilution of our ownership, the Corporation deemed that the decline in GoviEx's fair value is significant and that there is an objective evidence of impairment.

Therefore, during the three-month and six-month periods ended June 30, 2013, the Corporation recorded an impairment of $19,600,000 (2012: nil) in the consolidated statement of income (loss). Any impairment of available-for-sale equities is permanent and cannot be reversed in the future. Accordingly, the investment in GoviEx is valued at a fair value of nil and $19,600,000 as at June 30, 2013 and December 31, 2012 respectively.

In 2011, the Corporation made an investment of $25,101,000 in a quoted equity investment that was classified as Level 1. During the first quarter of 2012, the Corporation made a further investment of $4,813,000 for a total current investment of $29,914,000. Moreover, the Corporation recorded, in the three-month and six-month periods ended June 30, 2012, a loss in the statement of other comprehensive income (loss) of $14,141,000 and $21,503,000 respectively, as a result of the decrease in the fair value of the current investment. The Corporation sold this current investment during the second quarter of 2012 for proceeds totalling $5,617,000, realizing a loss of $24,297,000. The Corporation reclassified these losses to net income (loss) following the sale of this investment.

There were no transfers between Level 1, Level 2 and Level 3 as at June 30, 2013 and December 31, 2012.

14. Mining operation expenses

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Production costs	**35,309**	41,646	**81,433**	78,888
Government royalties	**3,706**	5,070	**9,253**	10,147
	39,015	46,716	**90,686**	89,035

15. General and administrative

(in thousands of dollars)	Three-month period ended June 30, 2013 $	Three-month period ended June 30, 2012 $	Six-month period ended June 30, 2013 $	Six-month period ended June 30, 2012 $
Corporate expenses	**3,856**	4,242	**7,990**	9,049
Sites – Administrative	**418**	1,193	**1,571**	2,705
	4,274	5,435	**9,561**	11,754

16. Share-based compensation

	Three-month period ended June 30, 2013 $	Three-month period ended June 30, 2012 $	Six-month period ended June 30, 2013 $	Six-month period ended June 30, 2012 $
Options plans (a)	**114**	181	**745**	978
Restricted Share Unit plan (b)	**(784)**	166	**(702)**	147
	(670)	347	**43**	1,125

a) Options

In the three-month period ended June 30, 2013, there were no new options granted (2012: nil). A total of 339,000 new options were issued to independent directors of the Corporation during the six-month period ended June 30, 2013 (2012: 131,000). The fair market value of the options granted options during the six-month period ended June 30, 2013, totalled $498,000 (2012: $505,000). All 339,000 new options vested immediately.

The share-based compensation cost was calculated according to the fair value of options issued based on the Black-Scholes valuation model using the following weighted average assumptions:

	Six-month period ended June 30, 2013	Six-month period ended June 30, 2012
Expected dividend per share	**1.27%**	0%
Forecasted volatility	**60%**	60%
Risk-free interest rate	**1.35%**	1.31%
Expected life	**5 years**	5 years
Fair-value – weighted average of options issued	**$1.47**	$3.86

Forecasted volatility has been determined using historical volatility.

For the three-month period ended June 30, 2013, the total expense for the share-based compensation related to share option plans was $114,000 (2012: $181,000) and was credited to contributed surplus.

For the six-month period ended June 30, 2013, the total expense for the share-based compensation related to share option plans was $745,000 (2012: $978,000) and was credited to contributed surplus.

16. Share-based compensation (continued)

a) Options (continued)

A total of 50,000 options were exercised during the six-month period ended June 30, 2013 under the Original Plan for a cash consideration of $108,000. An amount of $41,000 has been reclassified from contributed surplus to share capital. For the same period in 2012, a total of 167,000 options were exercised under the Original Plan for a cash consideration of $242,000. An amount of $97,000 has been reclassified from contributed surplus to share capital.

The following table sets forth the options granted to employees, directors, officers and consultants under the plans:

	Six-month period ended June 30, 2012		Six-month period ended June 30, 2012	
(in thousands, except weighted average exercise price)	Number of options (in thousands)	Weighted average exercise price $	Number of options (in thousands)	Weighted average exercise price $
Balance – beginning of period	**9,158**	**2.78 (C$2.77)**	9,265	2.66 (C$2.71)
Forfeited	**–**	**– –**	(38)	4.61 (C$4.70)
Exercised	**(50)**	**2.17 (C$2.28)**	(167)	1.44 (C$1.47)
Issued	**339**	**3.00 (C$3.15)**	131	7.31 (C$7.45)
Balance – end of period	**9,447**	**2.65 (C$2.79)**	9,191	2.74 (C$2.79)
Options exercisable – end of period	**8,224**	**2.55 (C$2.68)**	6,718	2.49 (C$2.54)

16. Share-based compensation (continued)

b) Restricted share units ("RSUs")

The following table provides the periods ended June 30, 2013 and 2012 activity for all RSUs:

	RSUs non vested
Outstanding as of January 1, 2012	515,000
2012 plan	10,000
Forfeited	(3,000)
Outstanding as of June 30, 2012	522,000
Outstanding as of January 1, 2013	1,285,000
2013 plan	1,806,000
Forfeited	(92,000)
Outstanding as of June 30, 2013	**2,999,000**

As at June 30, 2013, there are no RSUs vested (2012: nil).

The following table details the break-down of the Unit Plan expense:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Expense related to RSUs outstanding	**1,630**	546	**2,751**	998
Credit related to change in the fair value of the share price	**(2,414)**	(380)	**(3,453)**	(851)
	(784)	166	**(702)**	147

17. Finance costs

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Accretion expense of asset retirement obligations	**181**	149	**364**	299
Accretion expense of advance payable to the Republic of Niger	**23**	628	**46**	681
Other	**378**	70	**611**	114
	582	847	**1,021**	1,094

18. Non-controlling interests

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012	**2013**	2012
	$	$ (Restated note 4)	**$**	$ (Restated note 4)
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A.	**1,750**	791	**3,978**	4,199
Government of Niger – 20% in Société des Mines du Liptako (SML) S.A.	**(3,499)**	519	**(11,468)**	1,055
Government of Guinea – 15% in SEMAFO Guinée S.A.	**(5,137)**	(282)	**(5,277)**	(990)
	(6,886)	1,028	**(12,767)**	4,264

19. Earnings (loss) per share

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012	**2013**	2012
	$	$ (Restated note 4)	**$**	$ (Restated note 4)
(In thousands of dollars, except shares and per shares)				
Net income (loss) for the period attributable to the equity shareholders	**(46,475)**	(17,515)	**(53,765)**	10,591
Average weighted number of outstanding common shares – basic	**273,268**	273,134	**273,258**	273,080
Dilutive effect of options[1]	**–**	–	**–**	4,809
Weighted average number of outstanding common shares – diluted	**273,268**	273,134	**273,258**	277,889
Basic earnings (loss) per share	**(0.17)**	(0.06)	**(0.20)**	0.04
Diluted earnings (loss) per share	**(0.17)**	(0.06)	**(0.20)**	0.04

[1] When the Corporation has a net loss attributable to the equity shareholders, diluted loss per share was calculated from the basic weighted average number of outstanding common shares because the effect of options is anti-dilutive.

20. Financial commitments

Purchase Obligations

As at June 30, 2013, the purchase commitments totalled $8,810,000. In addition, on October 1, 2011, the Corporation entered into an agreement with National Electricity Company Sonabel, in Burkina Faso, pursuant to which the Corporation will make an advance for the construction of a high-voltage transmission line. As at June 30, 2013, the Corporation is committed to advance a remaining amount of $4,876,000 (2,458,000,000 FCFA) to Sonabel with respect to this project.

Government Royalties and Development Taxes

In Burkina Faso, gold spot prices lower or equal to $1,000 per ounce are subject to a royalty rate of 3%, a 4% rate applies for spot prices between $1,000 and $1,300 per ounce, and a 5% royalty rate is applied on all shipments with a gold spot price greater than $1,300 per ounce.

In 2013, the Corporation was subject to a royalty rate of 4% and 5%, which was calculated using the retail market value of gold ounces sold at the time of shipment. In the second quarter of 2013, government royalties amounting to $2,731,000 (2012: $3,442,000) were paid to the Government of Burkina Faso. In the six-month period ended June 30, 2013, government royalties amounting to $6,425,000 (2012: $7,330,000) were paid to the Government of Burkina Faso.

The Corporation is subject to a royalty rate of 5.5% of the market value of gold ounces sold originating from the Samira Hill Mine payable to the Republic of Niger. In the second quarter of 2013, government royalties amounting to $750,000 (2012: $1,299,000) were paid to the Government of Niger. In the six-month period ended June 30, 2013, government royalties amounting to $2,122,000 (2012: $2,488,000) were paid to the Government of Niger.

The Corporation is subject to a royalty rate of 5% of the market value of gold ounces sold originating from the Kiniero Mine payable to the Republic of Guinea. In addition, the Corporation has to invest 0.4% of its gold sales in local development projects. In the second quarter of 2013, government royalties amounting to $225,000 (2012: $329,000) were paid to the Government of Guinea. In the six-month period ended June 30, 2013, government royalties amounting to $705,000 (2012: $329,000) were paid to the Government of Guinea.

Net Smelter Royalty – Samira Hill Mine

Further to the acquisition from Etruscan Resources Inc. (“Etruscan”) of their minority interest in the subsidiary operating the Samira Hill Mine located in Niger, the Corporation is subject to a 1.5% net smelter royalty. The royalty comes into effect after the mine has produced 750,000 ounces, calculated as from July 1, 2009. Since July 1, 2009, the Samira Hill Mine has produced 200,900 ounces. The Corporation has been granted a right of first refusal should Etruscan decide to sell this royalty.

21. Financial information included in consolidated statements of cash flows

a) Changes in non-cash working capital items

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Trade and other receivables	**(2,739)**	(16,870)	**5,084**	11,900
Provisions	**(111)**	–	**(259)**	–
Inventories	**(15,273)**	(2,224)	**(11,098)**	(10,939)
Other current assets	**(1,007)**	1,168	**(361)**	(541)
Trade payables and accrued liabilities	**7,993**	(502)	**(7,529)**	(7,127)
Income tax payable	**2,631**	(12,105)	**2,589**	(5,272)
	(8,506)	(30,533)	**(11,574)**	(11,979)

b) Supplemental information on non-cash items

	Three-month period ended June 30,		Six-month period ended June 30,	
	2013	2012	**2013**	2012
	$	$	**$**	$
Depreciation of property, plant and equipment allocated to exploration and stripping costs	**2,095**	925	**4,215**	1,198
Net effect of depreciation of property, plant and equipment allocated to inventories	**2,139**	(54)	**407**	1,279
New asset retirement obligations allocated to property, plant and equipment	**402**	276	**820**	564

22. Segmented information

The Corporation is conducting exploration and production activities on different sites in Burkina Faso, Niger and Guinea. These sites are managed separately given their different location and laws. The business segments presented reflect the management structure of the Corporation and the way in which the Corporation's chief operating decision maker reviews business performance. The Corporation evaluates the performance of its operating segments primarily based on segment operating income, as defined below.

					Three-month period ended June 30, 2013
	Mana, Burkina Faso $	Samira Hill, Niger $	Kiniero, Guinea $	Corporate and others $	Total $
Revenue – Gold sales	53,781	13,010	4,345	–	71,136
Mining operating expenses	26,594	9,692	2,729	–	39,015
Depreciation of property, plant and equipment	8,283	3,267	695	161	12,406
General and administrative	117	209	92	3,856	4,274
Corporate social responsibility expenses	23	14	3	5	45
Share-based compensation	–	–	–	(670)	(670)
Impairment (note 11)	–	14,696	32,830	–	47,526
Operating income (loss)	**18,764**	**(14,868)**	**(32,004)**	**(3,352)**	**(31,460)**
Property, plant and equipment	378,980	4,085	5,537	3,137	391,739
Total assets	522,150	19,198	12,638	70,130	624,116

					Three-month period ended June 30, 2012[3]
Revenue – Gold sales	69,051	23,132	6,193	–	98,376
Mining operating expenses	31,557	12,276	2,883	–	46,716
Depreciation of property, plant and equipment[1]	8,615	5,552	1,001	96	15,264
General and administrative	584	263	346	4,242	5,435
Corporate social responsibility expenses	361	39	468	646	1,514
Share-based compensation	–	–	–	347	347
Write-off of property, plant and equipment[2]	16,998	–	–	–	16,998
Operating income (loss)	**10,936**	**5,002**	**1,495**	**(5,331)**	**12,102**
Property, plant and equipment[1]	292,471	91,596	32,173	3,420	419,660
Total assets[1]	413,987	133,182	46,449	135,633	729,251

[1] Amounts have been restated for the adoption of IFRIC 20. Refer to note 4.

[2] At the Mana Mine, in Burkina Faso, write-off of $16,998,000 for the three-month period ended June 30, 2013, on the property, plant and equipment was recorded as the result of the conversion of the Mana underground mining operations in Burkina Faso to a super pit scenario.

[3] Certain amounts have been reclassified.

22. Segmented information (continued)

					Six-month period ended June 30, 2013
	Mana, Burkina Faso $	Samira Hill, Niger $	Kiniero, Guinea $	Corporate and others $	Total $
Revenue – Gold sales	126,359	37,658	13,174	–	177,191
Mining operating expenses	58,430	24,541	7,715	–	90,686
Depreciation of property, plant and equipment	17,632	6,983	1,644	370	26,629
General and administrative	845	555	171	7,990	9,561
Corporate social responsibility expenses	391	46	8	336	781
Share-based compensation	–	–	–	43	43
Impairment (note 11)	–	49,796	32,830	–	82,626
Operating income (loss)	**49,061**	**(44,263)**	**(29,194)**	**(8,739)**	**(33,135)**

					Six-month period ended June 30, 2012[3]
Revenue – Gold sales	148,284	44,300	6,193	–	198,777
Mining operating expenses	61,646	23,731	3,658	–	89,035
Depreciation of property, plant and equipment[1]	15,749	10,373	1,148	244	27,514
General and administrative	1,310	790	605	9,049	11,754
Corporate social responsibility expenses	610	88	473	1,034	2,205
Share-based compensation	–	–	–	1,125	1,125
Write-off of property, plant and equipment[2]	16,998	–	–	–	16,998
Operating income (loss)	**51,971**	**9,318**	**309**	**(11,452)**	**50,146**

[1] Amounts have been restated for the adoption of IFRIC 20. Refer to note 4.
[2] At the Mana Mine, in Burkina Faso, write-off of $16,998,000 for the six-month period ended June 30, 2013, on the property, plant and equipment was recorded as the result of the conversion of the Mana underground mining operations in Burkina Faso to a super pit scenario.
[3] Certain amounts have been reclassified.

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