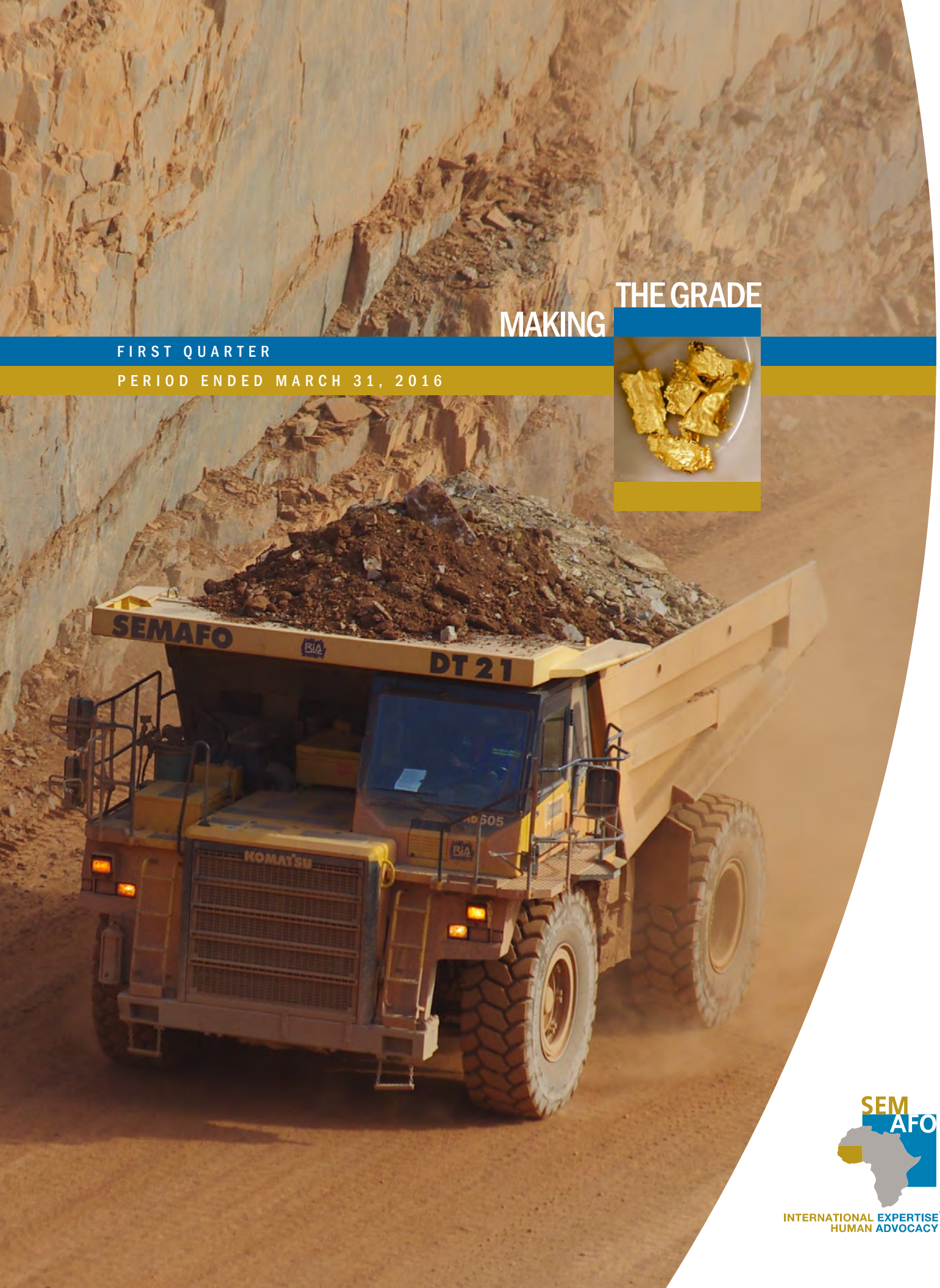
MAKING THE GRADE

FIRST QUARTER

PERIOD ENDED MARCH 31, 2016



SEMAFO

INTERNATIONAL EXPERTISE®
HUMAN ADVOCACY

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEMAFO Inc. ("SEMAFO" or the "Corporation") is a Canadian-based mining company with gold production and exploration activities in West Africa. The Corporation operates the Mana Mine in Burkina Faso, which includes the high-grade satellite deposits of Siou and Fofina, and is advancing the development of the Natougou project. 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 of continuing operations, unless otherwise specified, to enable readers to assess material changes in financial condition and results of operations for the three-month period ended March 31, 2016 compared to the previous period. This MD&A, prepared as of May 10, 2016, is intended to complement and supplement our Condensed Interim Consolidated Financial Statements (the "financial statements") as at March 31, 2016 and for the period then ended. 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. 2016 First Quarter Highlights

- Gold production of 61,300 ounces compared to 65,200 ounces for the same period in 2015
- Gold sales of $74.6 million compared to $74.0 million for the same period in 2015
- Total cash cost[1] of $505 per ounce sold and all-in-sustaining cost[1] of $695 per ounce sold compared to $528 and $646, respectively, for the same period in 2015
- Operating income of $17.8 million compared to $11.2 million for the same period in 2015
- Net income attributable to equity shareholders of $16.2 million or $0.05 per share compared to a loss of $8.1 million or $0.03 per share for the same period in 2015
- Adjusted net income attributable to equity shareholders[1] of 8.7 million or $0.03 per share[1] compared to $8.2 million or $0.03 per share[1] for the same period in 2015
- Net income of $18.7 million compared to a loss of $7.8 million for the same period in 2015
- Cash flows from operating activities[2] of $35.2 million or $0.12 per share[1] compared to $32.6 million or $0.12 per share[1] for the same period in 2015
- Amendment to long-term debt consisting of an incremental $60.0 million to be drawn by June 30, 2017
- Completion of a bought deal offering of common shares for aggregate gross proceeds of $90.8 million (C$115.1 million)
- Total exploration budget increased to $18.0 million following positive results at Mana and Natougou

Natougou Development:

- Completion of feasibility study with a strong 48% IRR at $1,100/oz gold[3]
- Lycopodium selected for the Engineering, Procurement and Construction Management (EPCM) contract

[1] Total cash cost, all-in sustaining cost, adjusted net income attributable to equity shareholders, adjusted basic earnings per share and operating cash flows 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 16.

[2] Cash flows from operating activities exclude changes in non-cash working capital items.

[3] This statement contains forward-looking statements. For more information on forward-looking statements, see note 18.

2. Key Economic Factors

Price of Gold

During the three-month period ended March 31, 2016, the price of gold, based on the London Gold Fix PM, fluctuated from a high of $1,278 to a low of $1,077 per ounce. The average market gold price in the first quarter of 2016 was $1,183 per ounce compared to $1,218 per ounce for the same period in 2015, representing a decrease of $35 or 3%.

(in dollars per ounce)	2016 Q1	2015 Q1
Average London Gold Fix	1,183	1,218
Average realized selling price	1,187	1,221

Cost Pressures

We are 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 $35 per barrel in the first quarter of 2016 compared to $56 per barrel for the same period in 2015.

We purchase our fuel exclusively from the government of Burkina Faso in FCFA, the local currency, at a price fixed by decree that reflects market price fluctuations within a time lag. The average price fixed by decree was 647 FCFA (equivalent to $1.09) per litre in the three-month period March 31, 2016 compared to 728 FCFA (equivalent to $1.25) for the same period in 2015.

Foreign Currencies

Our mining operation 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. The FCFA is fixed against the Euro.

During the three-month period ended March 31, 2016, the US dollar was stronger relative to the Euro and the Canadian dollar when compared to the same period in 2015. As approximately 75% of our costs are nominated in foreign currencies other than the US dollar, foreign exchange had a positive year-over-year impact on our total cash cost[1] and all-in sustaining cost[1].

At closing of the first quarter of 2016, the US dollar began to depreciate relative to the Euro and the Canadian dollar. Should this tendency continue throughout 2016, foreign exchange could have a negative impact on our costs[2].

Exchange rates are as follows:

	CAD / USD $		EUR / USD $	
	2016	2015	**2016**	2015
December 31 (closing)	**—**	1.3884	**—**	0.9164
March 31 (closing)	**1.2971**	1.2683	**0.8779**	0.9310
First quarter (average)	**1.3746**	1.2370	**0.9085**	0.8852

[1] Total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures" section of this MD&A, note 16.

[2] This statement contains forward-looking statements. For more information on forward-looking statements, see note 18.

3. Consolidated Results and Mining Operations

Financial and Operating Highlights

	Three-month period ended March 31,		
	2016	2015	Variation
Gold ounces produced	**61,300**	65,200	(6%)
Gold ounces sold	**62,800**	60,600	4%
(in thousands of dollars, except amounts per share)			
Revenues – Gold sales	**74,556**	74,016	1%
Mining operation expenses	**28,722**	29,063	(1%)
Government royalties	**3,018**	2,933	3%
Operating income	**17,836**	11,207	59%
Finance costs	**302**	3,039	(90%)
Foreign exchange loss (gain)	**(4,909)**	6,281	—
Income tax expense	**4,125**	9,867	(58%)
Net income (loss) attributable to equity shareholders	**16,184**	(8,114)	—
Basic earnings (loss) per share	**0.05**	(0.03)	—
Diluted earnings (loss) per share	**0.05**	(0.03)	—
Adjusted net income attributable to equity shareholders[1]	**8,724**	8,210	6%
Per share[1]	**0.03**	0.03	—
Cash flows from operating activities[2]	**35,204**	32,553	8%
Per share[1]	**0.12**	0.12	—
Statistics (in dollars)			
Average realized selling price (per ounce)	**1,187**	1,221	(3%)
Cash operating cost (per tonne processed)[1]	**42**	54	(22%)
Total cash cost (per ounce sold)[1]	**505**	528	(4%)
All-in sustaining cost (per ounce sold)[1]	**695**	646	8%

First Quarter 2016 v. First Quarter 2015

- The operating income increase in the first quarter of 2016 compared to the same period in 2015 is attributable to lower depreciation of property, plant and equipment. In the first quarter of 2015, the depreciation was greater due to the accelerated depreciation of the Wona-Kona capitalized stripping cost following the reduction of our reserves at the beginning of 2015.
- The finance costs were lower in the first quarter of 2016 compared to the same period in 2015 due to the write-off of capitalized financing fees of $2,520,000 in 2015 following cancellation of a credit facility.
- The foreign exchange gain amounted to $4,909,000 due to the revaluation of our monetary assets denominated in foreign currencies following the weakening of the US dollar as at March 31, 2016 compared to December 31, 2015.
- The decrease in income tax expense is due to the weakening of the US dollar at the end of the first quarter of 2016, whereas the US dollar strengthened in the first quarter of 2015. At the closing of the first quarter of 2016, the tax base of mining assets in foreign jurisdictions was therefore higher and increased future tax deductions when converted into US dollars. These non-cash items amounted to a credit of $2,551,000 for the first quarter of 2016, compared to an expense of $7,523,000 for the same period in 2015. These amounts are not indicative of the economic value of the underlying tax pools that may be used to reduce cash income taxes in the future.
- Cash flows from operating activities[2] reached $35,204,000 in 2016 due to the increase in operating income.

[1] Adjusted net income attributable to equity shareholders, adjusted basic earnings per share, operating cash flows per share, cash operating cost, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures" section of this MD&A, note 16.

[2] Cash flows from operating activities exclude changes in non-cash working capital items.

4. Operating Income by Segment

(in thousands)	Three-month period ended March 31, 2016	2015	Variation
	$	$	%
Mana, Burkina Faso	**24,809**	17,005	46%
Natougou, Burkina Faso	**—**	—	—
Other exploration	**—**	—	—
Corporate and other	**(6,973)**	(5,798)	(20%)
	17,836	11,207	59%

4. Operating Income by Segment (continued)

Mana, Burkina Faso

Mining Operations

	Three-month period ended March 31,		
	2016	2015	Variation
Operating Data			
Ore mined (tonnes)	**500,300**	749,800	(33%)
Ore processed (tonnes)	**682,900**	537,300	27%
Waste mined (tonnes)	**3,459,400**	6,562,800	(47%)
Operational stripping ratio	**6.9**	8.8	(22%)
Head grade (g/t)	**3.04**	4.09	(26%)
Recovery (%)	**92**	92	—
Gold ounces produced	**61,300**	65,200	(6%)
Gold ounces sold	**62,800**	60,600	4%
Capitalized Stripping Activity			
Waste material – Siou (tonnes)	**2,990,300**	1,468,300	104%
Waste material – Fofina (tonnes)	**2,628,100**	745,700	252%
	5,618,400	2,214,000	154%
Financial Data (in thousands of dollars)			
Revenues – Gold sales	**74,556**	74,016	1%
Mining operations expenses	**28,722**	29,063	(1%)
Government royalties	**3,018**	2,933	3%
Depreciation of property, plant and equipment	**17,276**	24,024	(28%)
General and administrative	**596**	665	(10%)
Corporate social responsibility expenses	**135**	326	(59%)
Segment operating income	**24,809**	17,005	46%
Statistics (in dollars)			
Average realized selling price (per ounce)	**1,187**	1,221	(3%)
Cash operating cost (per tonne processed)[1]	**42**	54	(22%)
Total cash cost (per ounce sold)[1]	**505**	528	(4%)
All-in sustaining cost (per ounce sold)[1]	**695**	646	8%
Depreciation (per ounce sold)[2]	**275**	396	(31%)

[1] Cash operating cost, total cash cost and all-in sustaining cost are 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 16.

[2] 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.

4. Operating Income by Segment (continued)

Mana, Burkina Faso (continued)

Mining Operations (continued)

First Quarter 2016 v. First Quarter 2015

- During the first quarter of 2016, the lower ore mined compared to the same period in 2015, is due to the mine plan sequence.
- The increase in throughput in the first quarter of 2016 compared to the same period in 2015 is due to the processing of ore through the secondary ball mill during the five-week shutdown of the SAG mill in the first quarter of 2015.
- The year-over-year decrease in head grade in the first quarter of 2016 is due to the mine plan and increased throughput from low-grade stockpiles.
- The decrease in gold ounces produced is a direct result of the 26% lower head grade, partially offset by higher throughput.
- The depreciation of property, plant and equipment and the depreciation[1] per ounce sold decreased by 28% and 31% accordingly, as a result of the accelerated depreciation of the Wona-Kona capitalized stripping cost in the first quarter of 2015 following the reduction of our reserves at the beginning of 2015.
- Cash operating cost[2] per tonne processed amounted to $42 in the first quarter of 2016 compared to $54 for the same period in 2015. This is due to a lower operational stripping ratio, a reduction in the fuel price and the strength of the US dollar relative to the Euro.
- In the first quarter of 2016, the total cash cost[2] reached $505 per ounce sold compared to $528 for the same period in 2015. The decrease is due to a lower cash operating cost per tonne, partially offset by a lower head grade. The 8% increase in all-in sustaining cost[2] is mainly due to an increase in the stripping expenditure.

Corporate Social Responsibility ("CSR")

The first quarter marked the completion of six SEMAFO Foundation's projects, and the culmination of months of preparation. Two new schools-one primary and one secondary were opened, improving access to education for a total of 230 pupils; a market garden involving 60 producers was formally launched; and three wells were inaugurated that will directly supply water to 1,500 persons. In addition, training sessions were held for the school management committees and parent associations of several schools in order to reinforce their organizational and operating capacity.

Revenue-generating activities in the Boucle de Mouhoun region continue under the guidance of the Foundation. In the 2015-2016 season, the sesame project continued to attract producer interest, and was extended to 42 villages in seven communes. In the 2015-2016 year, the number of registered farmers rose from 1,870 to 2,000, and the quantity of sesame produced increased to 708 tonnes from 545 tonnes in the year prior. The area under cultivation increased year over year by 15% to 3,992 hectares. Under the terms of a partnership with COOPEC KAYORO, members of the committee for the credit (warrantage) system on sesame obtained training in management and in techniques for storing agricultural produce.

Separately, mine management repaired water holes in the quarter and supported local traditions. The mine's electricity department supplied solar panels to support the electrification of the local mosque. During the quarter, the mine's accounting department participated in information workshops for the local population regarding the fifth EITI (Extractive Industry Transparency Initiative) report for Burkina Faso.

In the eastern region, the Foundation began exploring the potential for revenue-generating projects in the areas surrounding the Natougou project. A series of meetings were held with local sesame producers, with the regional manager for agriculture at Fada and by introducing the agricultural agent from Partiaga to local communities. These meetings were accompanied by material donations to three villages.

[1] 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.

[2] Cash operating cost, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures" section of this MD&A, note 16.

4. Operating Income by Segment (continued)

Natougou, Burkina Faso

Natougou Development

Following announcement of a positive feasibility study in February, we continue to target construction start-up by year-end 2016. A $10 million capital expenditure budget has been established for Natougou in 2016. As at May 10, 2016, the following milestones have been achieved:

- NI 43-101 technical report for the Natougou project filed on SEDAR
- Lycopodium selected as the EPCM contractor
- Launch of detailed engineering
- Filing of the environmental study impact assessment and resettlement action plan with the government of Burkina Faso

Exploration

The initial 2016 exploration budget of $11 million has been expanded to $18 million. Accordingly, the budget for Mana has increased from $4.5 million to $6.5 million, with the Natougou budget rising from $6 million to $9 million. Provisions of $1.5 million and $1 million of the new budget have been allocated to Nabanga and other properties, respectively.

Mana Project, Burkina Faso

In the first quarter, a total of 18,260 meters of auger, 10,230 meters of RC and 280 meters of core drilling were carried out on the Mana Project, principally on the Bombouéla Nord and Yama areas. Currently, three auger and one RC rig are in operation on the Mana permits.

In the quarter, drilling continued at 50 meter x 50 meter spacing on Yama located 23 kilometers south of the Mana plant. As shown in the highlights table and in the longitudinal view (Figure 1), significant results were obtained associated with a 200-meter long and steeply plunging series of sheared quartz veins. Best results include 5 g/t Au over 5 meters and 2.14 g/t Au over 13 meters. In the second quarter, a 2,750-meter infill drill program will bring the spacing to 25 meters x 50 meters in order to bring Yama into reserves by year-end. In addition, 2,500 meters of RC drilling will be carried out on the Yama area on targets identified by auger drilling.

Yama Drilling Intersection Highlights

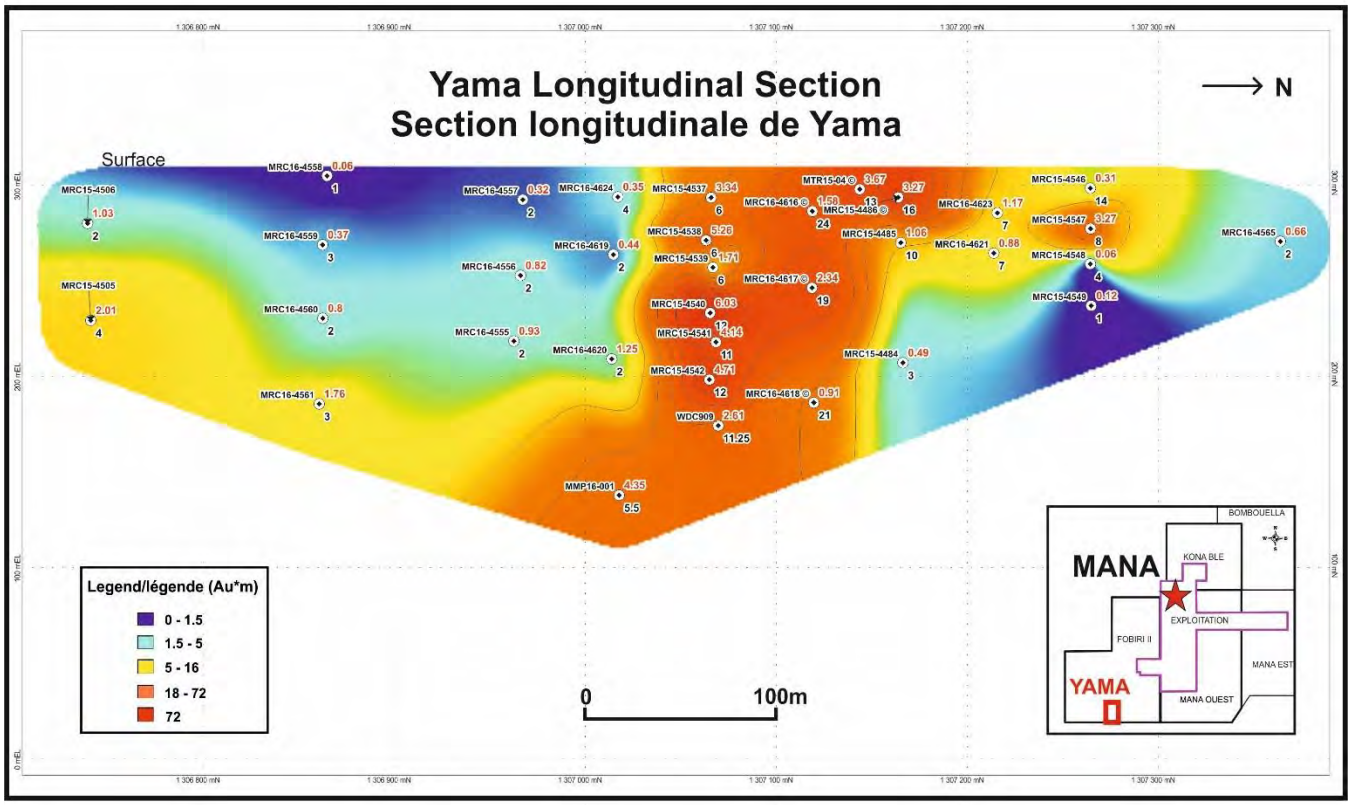
Drill hole	From	To	Au g/t	Length
MRC15-4547	34	40	4.32	6.00
MRC15-4552	28	32	3.05	4.00
MRC15-4485	41	53	1.02	12.00
MRC15-4486	—	15	3.95	15.00
MRC15-4537	15	21	3.47	6.00
MRC15-4538	43	49	5.26	6.00
MRC15-4539	62	72	1.26	10.00
MRC15-4540	90	102	6.08	12.00
MRC15-4541	89	106	1.72	17.00
MRC15-4541	112	124	3.85	12.00
MRC15-4542	135	147	4.71	12.00
WDC909	166.55	178.75	2.46	12.20
MRC15-4505	99	107	1.31	8.00
MMP16-001*	185	190.50	4.35	5.50
MRC16-4616*	26	39	2.14	13.00
MRC16-4616*	53	61	1.21	8.00
MRC16-4617*	51	60	1.65	9.00
MRC16-4617*	78	83	5.00	5.00
MRC16-4618*	165	176	1.36	11.00
MRC16-4623*	22	29	1.17	7.00

* New results from April 2016

4. Operating Income by Segment (continued)

Exploration (continued)

Figure 1

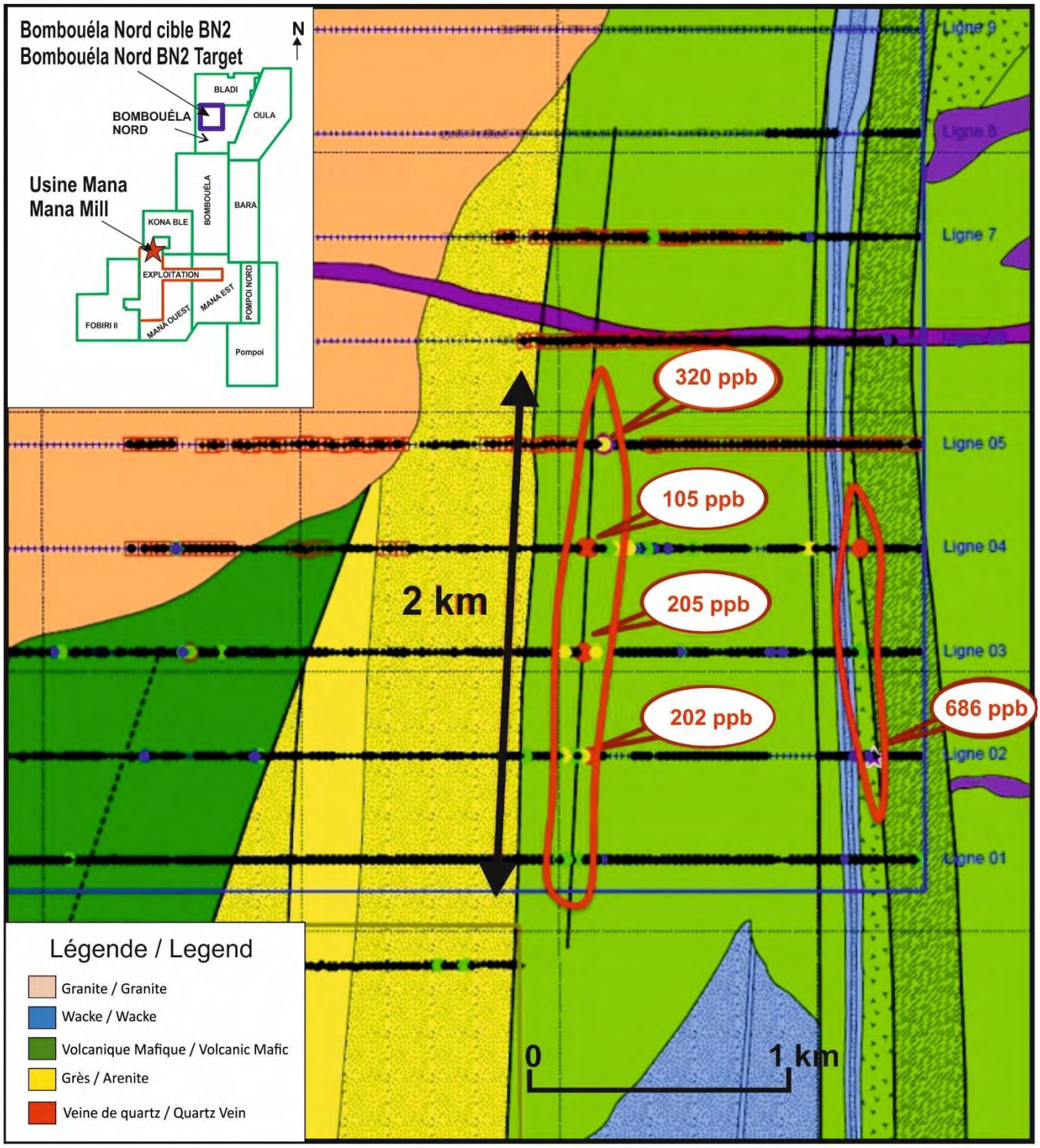


Auger drilling was realized on a target area on the Bombouéla Nord permit located 30 kilometers north of the Mana mill. Two strong subparallel auger anomalies were identified over a strike length up of 2 kilometers (Figure 2) that are similar to the regional structure hosting the Wona deposit. Both trends are scheduled for a 6,500-meter follow-up RC program in the second quarter of 2016 while an additional auger drill program will investigate the South extension. Results are expected in the third quarter of 2016.

4. Operating Income by Segment (continued)

Exploration (continued)

Figure 2 - Bombouéla Nord Permit



4. Operating Income by Segment (continued)

Exploration (continued)

Natougou

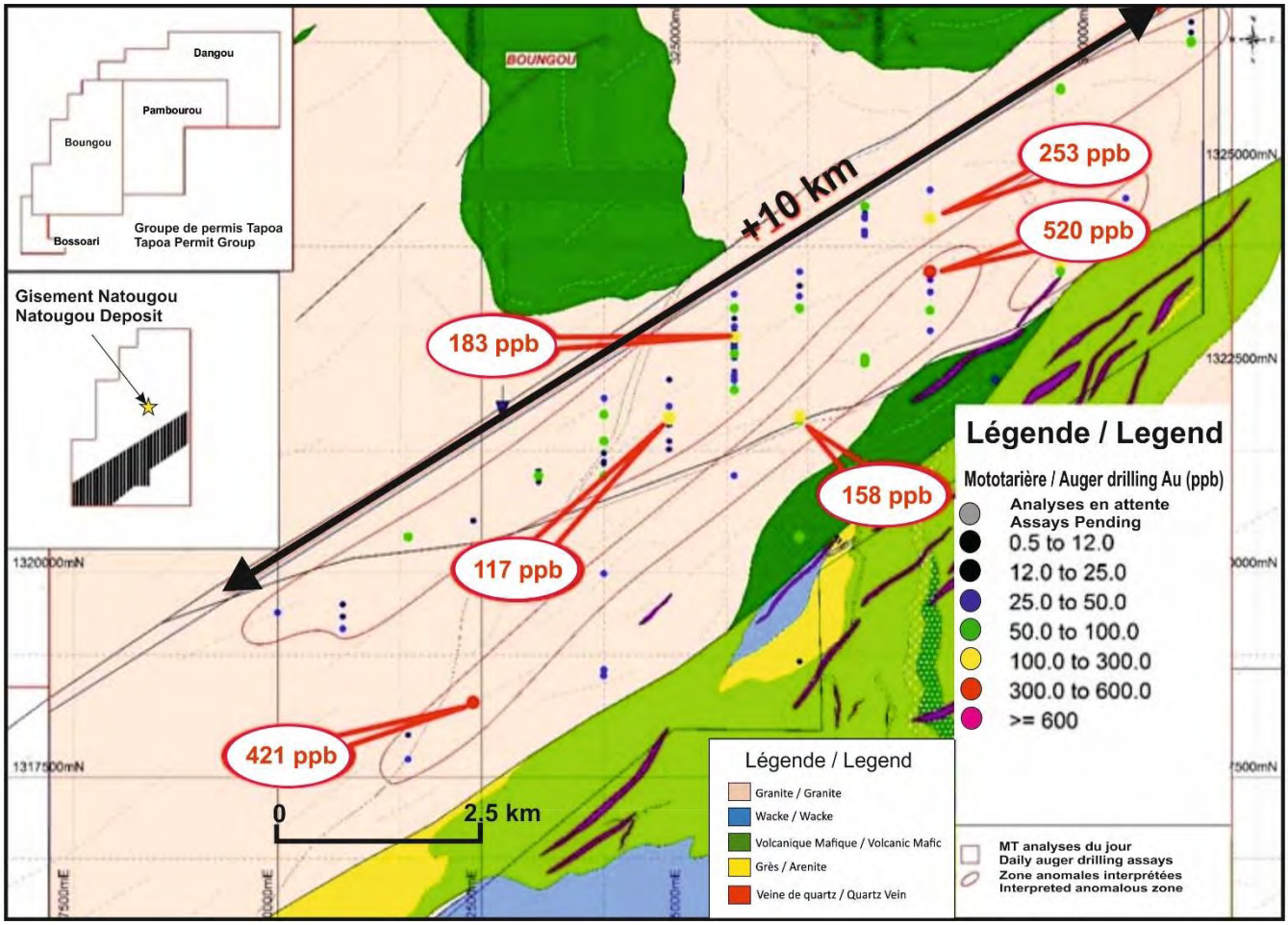
The initial 2016 budget of $6 million for the Tapoa (Natougou) project has been increased to $9 million, and now consists of 60,000 meters of auger, 28,500 meters of RC and 6,000 meters of core drilling.

A regional auger drilling program is currently in progress along a NE-trending regional structure that crosses the entire property to the south of the Natougou deposit (Figure 3). Significant anomalies were identified along the trend. A 5,000-meter follow-up RC drilling program is planned, with results expected in the third quarter of 2016.

Currently, one RC drill rig is active on the footwall zone of the Boungou Shear Zone and on the sector west of the deposit.

In the second quarter of 2016, a regional airborne geophysical survey campaign involving magnetic and radiometric surveys, will be effected over the remaining portion of the Tapoa Permit Group with results anticipated in the third quarter of 2016.

Figure 3



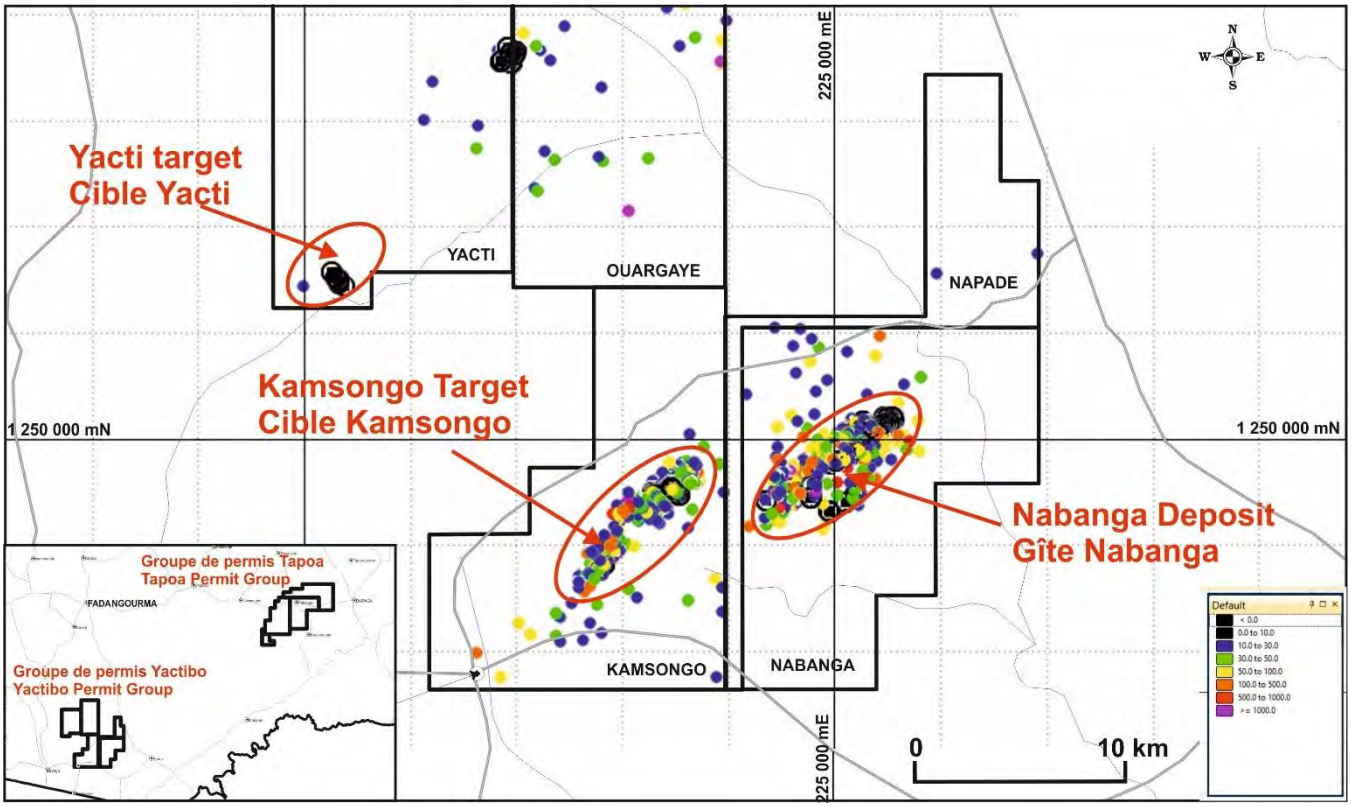
4. Operating Income by Segment (continued)

Exploration (continued)

Nabanga Project (Yactibo Permit Group)

A 2,000-meter RC drilling program is ongoing on the Nabanga extension. The revised budget of $1.5 million also includes a 14,000-meter drill campaign on the Kamsongo and Yacti mineralized zones, which are located in close proximity to the Nabanga deposit (Figure 4). Results are expected in the third quarter of 2016.

Figure 4



4. Operating Income by Segment (continued)

Corporate and Other

(in thousands)	Three-month period ended March 31, 2016 $	2015 $
Depreciation of property, plant and equipment	**64**	86
General and administrative	**3,231**	2,950
Share-based compensation	**3,678**	2,762
Operating loss	**(6,973)**	(5,798)

General and Administrative

General and administrative expenses increased in the first quarter of 2016 compared to the same period in 2015 as a result of the timing of expenses.

Share-based Compensation

(in thousands)	Three-month period ended March 31, 2016 $	2015 $
Restricted Share Unit Plan	**2,746**	2,296
Deferred Share Unit Plan	**838**	466
Performance Share Unit	**94**	—
	3,678	2,762

Restricted Share Unit Plan ("Unit Plan")
For the three-month period ended March 31, 2016, our share-based compensation expense included a charge of $2,746,000 (2015: $2,296,000) for our Unit Plan. The $2,746,000 charge related to the Unit Plan comprised a $920,000 expense for restricted share units outstanding and a $1,826,000 expense due to an increase in the fair value of our share price.

Deferred Share Unit ("DSU") Plan
During 2015, we adopted a new DSU Plan. At the beginning of 2015, the Board, on the recommendation of the Human resources and corporate governance committee, decided that independent directors would receive DSUs instead of options. For the three-month period March 31, 2016, our expense for DSUs outstanding represented $838,000 (2015: $466,000).

Performance Share Unit ("PSU")
In the first quarter of 2016, we granted Performance Share Units under the RSU Plan. Please refer to note 11 of the financial statements for more details.

5. Other Elements of the Statement of Income

Foreign Exchange Gain

The foreign exchange gain amounted to $4,909,000 due to the revaluation of our monetary assets denominated in foreign currencies following the weakening of the US dollar as at March 31, 2016 compared to December 31, 2015.

Income Tax Expense

The decrease in income tax expense is due to the weakening of the US dollar at the end of the first quarter of 2016, whereas the US dollar strengthened in the first quarter of 2015. At closing of the first quarter of 2016, the tax base of mining assets in foreign jurisdictions was therefore higher and increased future tax deductions when converted into US dollars. These non-cash items amounted to a credit of $2,551,000 for the first quarter of 2016, compared to an expense of $7,523,000 for the same period in 2015. These amounts are not indicative of the economic value of the underlying tax pools that may be used to reduce cash income taxes in the future.

Income Attributable to Non-Controlling Interest

For the three-month period ended March 31, 2016, the non-controlling interest of Government of Burkina Faso, which represents 10% in SEMAFO Burkina Faso S.A., was $2,507,000 (2015: $265,000).

6. Cash Flows

The following table summarizes our cash flow activities:

	Three-month period ended March 31,	
	2016	2015
(in thousands)	**$**	$
Cash flows		
Operations	**35,204**	32,553
Working capital items	**6,765**	196
Operating activities	**41,969**	32,749
Financing activities	**(28,595)**	132,725
Investing activities	**(19,543)**	(172,437)
Change in cash and cash equivalents during the period	**(6,169)**	(6,963)
Effect of exchange rate changes on cash and cash equivalents	**5,670**	(6,112)
Cash and cash equivalents – beginning of the period	**167,166**	127,928
Cash and cash equivalents – end of the period	**166,667**	114,853

Operating

For the three-month period ended March 31, 2016, operating activities, before working capital items, generated cash flows of $35,204,000 compared to $32,553,000 in the same period in 2015 mainly due to higher operating income. Working capital items generated liquidities of $6,765,000 in 2016, mainly due to lower income tax receivable and inventories, while in the first quarter of 2015, liquidities of $196,000 were generated.

Further details regarding the changes in non-cash working capital items are provided in note 18 a) of the financial statements.

6. Cash Flows (continued)

Financing

In the three-month period ended March 31, 2016, cash flow used in financing activities amounted to $28,595,000 while it generated $132,725,000 in the same period in 2015.

Long-term Debt

On March 3, 2015, we entered into long-term debt ("Original Debt") amounting to $90,000,000 with Macquarie. We used the proceeds of the Original Debt to fund the acquisition of Orbis. In consideration for the Original Debt, we paid Macquarie an amount of $1,200,000 recorded as transaction costs.

In the first quarter of 2016, we reimbursed $30,000,000 of our Original Debt as per the repayment schedule. As at March 29, we executed an amendment to our Original Debt, which mainly consisted of an incremental $60,000,000 ("New Advance") in financing to be drawn down by June 30, 2017. For more information on the long-term debt, refer to note 7 of our financial statements.

Proceeds on Issuance of Share Capital

A total of 864,000 options were exercised during the three-month period ended March 31, 2016, under the Share Option Plan ("Original Plan") and the 2010 Share Option Plan (2010 Plan) the for a cash consideration of $1,405,000. For the same period in 2015, a total of 30,000 options were exercised under the Original Plan and the 2010 Plan for a cash consideration of $51,000.

On February 11, 2015, a syndicate of underwriters purchased on a "bought deal" private placement basis, 15,640,000 of our common shares at $2.97 (C$3.70) per common share for aggregate gross proceeds of $46,474,000 (C$57,868,000). Share issue expenses related to this private offering totalled $2,600,000 and were debited to retained earnings.

Investing

In the first quarter of 2015, we acquired Orbis, for which we paid a purchase price of $138,200,000 (A$178,169,000). In addition, an amount of $14,729,000 was disbursed, which included net liability and transaction costs of $1,621,000, for a total amount invested of $154,550,000.

Property, Plant and Equipment

Investments totalled $19,543,000 for the three-month period ended March 31, 2016 compared to $17,887,000 for the same period in 2015. The following table summarizes our investing activities.

	Three-month period ended March 31,	
	2016	2015
(in thousands)	**$**	$
Sustaining capital	**2,001**	3,644
Stripping cost	**9,948**	3,480
Subtotal sustaining capital expenditures	**11,949**	7,124
Exploration expenditure	**4,126**	6,247
Capitalized borrowing costs	**1,392**	500
Feasibility study	**1,158**	—
	18,625	13,871
Variation in unpaid acquisitions of property, plant and equipment	**918**	4,016
Total	**19,543**	17,887

7. Financial Instruments

The nature and extent of risks arising from financial instruments are described in note 17 of our annual audited consolidated financial statements.

8. Critical Accounting Estimates and Judgments

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustments to our financial statements are disclosed in note 5 to our 2015 annual audited consolidated financial statements.

9. New Accounting Standards Issued but not yet in Effect

The new accounting standards issued but not yet in effect are disclosed in note 4 to our 2015 annual audited consolidated financial statements.

10. Financial Position

As at March 31, 2016, we held $166,667,000 in cash and cash equivalents. With our existing cash balance, our forecasted cash flows from operations, our bought deal offering closing April 22, 2016 for an amount of $90,762,000 (C$115,057,500) and the upcoming drawdown of the New Advance, we are well positioned to fund all of our cash requirements for 2016 to 2018, which relate primarily to the following activities:

- Construction of Natougou project
- Exploration programs
- Capital expenditures

(in thousands)	As at March 31, 2016 $	As at December 31, 2015 $
Total current assets	**236,357**	241,650
Property, plant and equipment	**531,270**	529,087
Other non-current assets	**16,175**	10,776
Total assets	**783,802**	781,513
Current liabilities	**49,903**	72,627
Non-current liabilities	**102,240**	103,023
Total liabilities	**152,143**	175,650
Equity attributable to equity shareholders	**598,286**	574,997
Non-controlling interest	**33,373**	30,866

As at March 31, 2016, our total assets amounted to $783,802,000 compared to $781,513,000 as at December 31, 2015. As a result of our strong cash flow from operations, our cash and cash equivalents and total assets remained stable in the first quarter of 2016 despite our first debt repayment of $30,000,000.

As at March 31, 2016, our liabilities totalled $152,143,000, compared to $175,650,000 as at December 31, 2015. The decrease in our liabilities is mainly due to the repayment of $30,000,000 of the Original Debt.

11. 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.

The liability for asset retirement obligations as at March 31, 2016 was $6,889,000 (December 31, 2015: $6,676,000).

Government Royalties
In Burkina Faso, all shipments with gold spot prices lower or equal to $1,000 per ounce are subject to a royalty rate of 3%, a 4% rate is applied to all shipments with gold spot prices between $1,000 and $1,300 per ounce, and a 5% royalty rate is applied to all shipments with a gold spot price greater than $1,300 per ounce. In the first quarter of 2016, we were subject to a royalty rate of 4%, which was calculated using the retail market value of gold ounces sold at the time of shipment. For the three-month period ended March 31, 2016, government royalties amounting to $3,018,000 (three-month period ended March 31, 2015: $2,933,000) were paid to the Government of Burkina Faso.

Net Smelter Royalty ("NSR")
We are subject to an NSR ranging from 1% to 1.5% on various exploration properties. The NSR comes into effect when we enter into commercial production.

Purchase Obligations
As at March 31, 2016, purchase commitments totalled $3,103,000.

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 investing 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 March 31, 2016, we were in compliance in all material respects with the obligations related to the ownership of our material permits.

12. 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 risk 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 affect 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.

12. Risks and Uncertainties (continued)

Financial Risks (continued)

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.

Interest Rate Fluctuations

As borrower of a long-term debt amounting to $60 million, our operations are subject to interest rate fluctuations. The long-term debt bears interest at LIBOR plus 4.75%. Therefore, a fluctuation in LIBOR 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 Resources Estimates

Reserves and resources are estimates based on limited information acquired through drilling and various 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.

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
- a decline 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 Cost Estimates

No assurance can be given that the intended or expected production schedules or the estimated cash costs and capital expenditures will be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on the Corporation's future cash flows, profitability, results of operations and financial condition. Many factors may cause delays or cost increases, including labour issues, disruptions in power, transportation or supplies, and mechanical failure. 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 cost to produce an ounce of gold is further dependent on a number of factors, including the grade of reserves, recovery, plant throughput, the cost of commodities, general inflationary pressures and currency exchange rates. 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 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.

12. Risks and Uncertainties (continued)

Operational Risks (continued)

Nature of Mineral Exploration and Mining (continued)
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.

Integration of Acquired Business
From time to time, we evaluate potential acquisition opportunities to support and strengthen our business and asset base. Recently, we acquired Orbis. The acquisition and integration of businesses such as Orbis involve a number of risks. Orbis or other future acquired businesses may not achieve expected results of operations and may require unanticipated costs and expenditures. Integration of businesses may also place additional pressures on our systems of internal control over financial reporting. If we are unable to successfully integrate Orbis or other newly acquired businesses or if Orbis or other acquired businesses fail to produce targeted results, it could materially adversely affect our financial condition and results of operation.

Limited Property Portfolio
Currently, our only mineral property in operation is our Mana mine in Burkina Faso, which includes the high-grade deposits of Siou and Fofina. Unless we acquire or develop additional mineral properties, any adverse development affecting our Mana property could materially adversely affect our financial condition and results of operation.

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 flows 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.

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 cash 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, constructed a high-voltage transmission line that connects our Mana Mine to the national power grid. Accordingly, we cannot predict with certainty the extent of the line's reliability. Any failure in 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.

12. Risks and Uncertainties (continued)

Operational Risks (continued)

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 government of Burkina Faso has supported the development of its natural resources by foreign companies, there is no assurance that the government 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 or 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. We may also encounter difficulties in obtaining reimbursement of refundable tax from fiscal authorities.

The possibility that a future government 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 our or neighboring countries as well as threats to the security of our mines and workforce due to political unrest, civil wars or terrorist attacks.

Title Matters

Title to mineral projects and exploration and exploitation rights involves certain inherent risks due to the potential for problems arising from the ambiguous history characteristics of mining projects. 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 and no guarantees can be provided that there are no unregistered agreements, claims or defects which may result in our titles being challenged.

In addition, 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 licenses.

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.

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 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.

12. Risks and Uncertainties (continued)

Operational Risks (continued)

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 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 financial condition and results of operations.

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 also 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.

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 mill sites, environmental pollution, waste disposal 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. 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 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.

12. Risks and Uncertainties (continued)

Operational Risks (continued)

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 adopted a formal anti-corruption policy and our Code of conduct mandates compliance with anti-corruption laws, there can be no assurance that our internal control policies and procedures will always protect us from recklessness, fraudulent behavior, dishonesty or other inappropriate acts. Violation or alleged violation of anti-corruption laws could lead to civil and criminal fines and penalties, reputational damage and other consequences that may materially adversely affect our financial condition and results of operation.

13. Information on Outstanding Shares

As at May 10, 2016, our share capital comprised 323,322,559 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 our 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 May 10, 2016, stock options allowing its holders to purchase 3,939,135 common shares were outstanding.

14. Disclosure Controls and Procedures (DC&P) and Internal Controls over Financial Reporting (ICFR)

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 our disclosure controls and internal controls over financial reporting during the quarter ended March 31, 2016 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

15. Quarterly Information

	2016	2015				2014		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
(in thousands of dollars, except for amounts per share)								
Results from continuing operations								
Revenues – Gold sales	74,556	72,475	72,523	81,115	74,016	78,591	84,524	87,761
Operating income	17,836	12,549	19,486	22,824	11,207	14,873	25,500	20,665
Net income (loss)	18,691	1,796	14,491	22,115	(7,849)	5,318	12,726	14,916
Attributable to:								
- Equity shareholders	16,184	476	12,829	19,719	(8,114)	4,609	11,172	12,974
- Non-controlling interests	2,507	1,320	1,662	2,396	265	709	1,554	1,942
Basic earnings (loss) per share	0.05	—	0.04	0.07	(0.03)	0.02	0.04	0.05
Diluted earnings (loss) per share	0.05	—	0.04	0.07	(0.03)	0.02	0.04	0.05
Cash flows from operating activities[1]	35,204	39,430	34,830	40,748	32,553	40,416	40,554	37,618
Total results								
Net income (loss)	18,691	1,796	14,491	22,115	(7,849)	5,318	12,726	15,701
Attributable to:								
- Equity shareholders	16,184	476	12,829	19,719	(8,114)	4,609	11,172	3,022
- Non-controlling interests	2,507	1,320	1,662	2,396	265	709	1,554	12,679
Basic earnings (loss) per share	0.05	—	0.04	0.07	(0.03)	0.02	0.04	0.01
Diluted earnings (loss) per share	0.05	—	0.04	0.07	(0.03)	0.02	0.04	0.01

16. 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 March 31,	
	2016	2015
Per tonne processed		
Tonnes of ore processed	682,900	537,300
(in thousands of dollars except per tonne)		
Mining operation expenses (relating to ounces sold)	31,740	31,996
Government royalties and selling expenses	(3,213)	(3,105)
Effects of inventory adjustments (doré bars and gold in circuit)	362	138
Operating costs (relating to tonnes processed)	28,889	29,029
Cash operating cost (per tonne processed)	**42**	54

[1] Cash flows from operating activities exclude changes in non-cash working capital items.

16. Non-IFRS Financial Performance Measures (continued)

Total Cash Cost

	Three-month period ended March 31,	
	2016	2015
Per ounce sold		
Gold ounce sold	62,800	60,600
(in thousands of dollars except per ounce)		
Mining operation expenses	31,740	31,996
Total cash cost (per ounce sold)	**505**	528

All-in Sustaining Cost

All-in sustaining cost represents the total cash cost plus sustainable capital expenditures and stripping costs per ounce.

	Three-month period ended March 31,	
	2016	2015
Per ounce sold		
Gold ounce sold	62,800	60,600
(in thousands of dollars except per ounce)		
Sustaining capital expenditure	11,949	7,124
Sustaining capital expenditure (per ounce sold)	190	118
Total cash cost (per ounce sold)	505	528
All-in sustaining cost (per ounce sold)	**695**	646

Operating Cash Flows per Share

	Three-month period ended March 31,	
	2016	2015
(in thousands except per share)		
Cash flows from operating activities[1]	35,204	32,553
Weighted average number of outstanding common shares - basic	294,467	281,486
Operating cash flows per share	**0.12**	0.12

Adjusted Accounting Measures

	Three-month period ended March 31,	
	2016	2015
(in thousands of dollars except per share)		
Net income attributable to equity shareholders as per IFRS	16,184	(8,114)
Foreign exchange loss (gain)	(4,909)	6,281
Deferred tax effect of currency translation on tax base	(2,551)	7,523
Write-off of financing fees	—	2,520
Adjusted net income attributable to equity shareholders	**8,724**	8,210
Weighted average number of outstanding shares	294,467	281,486
Adjusted basic earnings per share	**0.03**	0.03

[1] Cash flows from operating activities exclude changes in non-cash working capital items.

17. Additional Information and Continuous Disclosure

This MD&A has been prepared as of May 10, 2016. Additional information on us is available through regular filings of press releases, financial statements and our 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.

18. 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 "pursuing", "growth", "could", "will", "in order to", "targets", "scheduled", "expected", "planned", "anticipated", "ongoing", "continue", 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 bring Yama into reserves by year-end, the ability to release exploration results in the third quarter of 2016, the ability to start construction by year-end 2016, the ability to execute on our strategic focus, 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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Statement of Financial Position

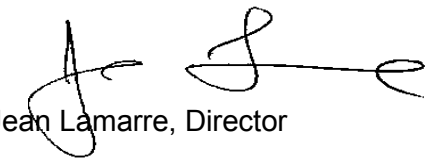
(Expressed in thousands of US dollars - unaudited)

	As at March 31, 2016 $	As at December 31, 2015 $
Assets		
Current assets		
Cash and cash equivalents (note 20)	166,667	167,166
Trade and other receivables (note 3)	18,289	17,028
Income tax receivable	—	1,634
Inventories (note 4)	48,879	53,200
Other current assets	2,522	2,622
	236,357	241,650
Non-current assets		
Advance receivable (note 5)	3,825	4,532
Restricted cash	4,609	4,388
Property, plant and equipment (note 6)	531,270	529,087
Intangible asset (note 5)	1,782	1,856
Other non-current assets (note 7)	5,959	—
	547,445	539,863
Total assets	783,802	781,513
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	35,981	35,869
Current portion of long-term debt (note 7)	—	29,052
Share unit plans liabilities (note 11)	5,976	1,360
Provisions (note 8)	5,702	6,346
Income tax payable	2,244	—
	49,903	72,627
Non-current liabilities		
Long-term debt (note 7)	58,725	59,379
Share unit plans liabilities (note 11)	2,940	4,485
Provisions (note 8)	7,527	7,313
Deferred income tax liabilities	33,048	31,846
	102,240	103,023
Total liabilities	152,143	175,650
Equity		
Equity Shareholders		
Share capital (note 9)	523,936	516,070
Contributed surplus	9,924	10,685
Retained earnings	64,426	48,242
	598,286	574,997
Non-controlling interest	33,373	30,866
Total equity	631,659	605,863
Total liabilities and equity	783,802	781,513

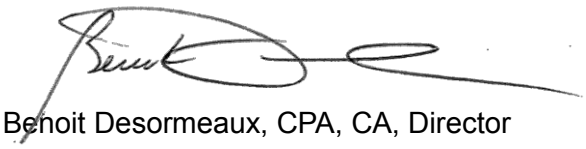
Financial commitments and contingencies (note 17)

Event after the reporting period (note 20)

Approved by the Board of Directors,



Jean Lamarre, Director



Benoit Desormeaux, CPA, CA, Director

Interim Consolidated Statement of Comprehensive Income (Loss)

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

	Three-month period ended March 31,	
	2016	2015
	$	$
Revenue – Gold sales	74,556	74,016
Costs of operations		
Mining operation expenses (note 13)	31,740	31,996
Depreciation of property, plant and equipment	17,340	24,110
General and administrative (note 14)	3,827	3,615
Corporate social responsibility expenses	135	326
Share-based compensation (note 11)	3,678	2,762
Operating income	17,836	11,207
Other expenses (income)		
Finance income	(373)	(131)
Finance costs (note 15)	302	3,039
Foreign exchange loss (gain)	(4,909)	6,281
Income before income taxes	22,816	2,018
Income tax expense		
Current (note 12)	3,954	3,604
Deferred (note 12)	171	6,263
	4,125	9,867
Net income (loss) and comprehensive income (loss) for the period	18,691	(7,849)
Attributable to:		
Equity shareholders	16,184	(8,114)
Non-controlling interest	2,507	265
	18,691	(7,849)
Earnings per share (note 16)		
Basic	0.05	(0.03)
Diluted	0.05	(0.03)

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]	Amount	Contributed surplus	Retained earnings	Total	Non-controlling interest	TOTAL EQUITY
	(in thousands)	$	$	$	$	$	$
Balance - January 1, 2015	277,718	466,861	10,889	25,932	503,682	26,923	530,605
Net loss and comprehensive loss for the period	—	—	—	(8,114)	(8,114)	265	(7,849)
Shares issued from the exercise of options (note 9)	30	70	(19)	—	51	—	51
Shares issued in consideration of private placement (net of share-issued expenses of $2,600)	15,640	46,474	—	(2,600)	43,874	—	43,874
Shares issued in consideration of commitment fees on credit facility	240	750	—	—	750	—	750
Shares issued in consideration of financing costs on long-term debt	458	1,350	—	—	1,350	—	1,350
Balance - March 31, 2015	**294,086**	**515,505**	**10,870**	**15,218**	**541,593**	**27,188**	**568,781**
Balance - January 1, 2016	294,321	516,070	10,685	48,242	574,997	30,866	605,863
Net income and comprehensive income for the period	—	—	—	16,184	16,184	2,507	18,691
Shares issued from the exercise of options (note 9)	864	2,166	(761)	—	1,405	—	1,405
Shares issued in consideration of financing costs on amendments to long-term debt (note 9)	1,642	5,700	—	—	5,700	—	5,700
Balance - March 31, 2016	**296,827**	**523,936**	**9,924**	**64,426**	**598,286**	**33,373**	**631,659**

[1] There were no common shares that were unpaid as at March 31, 2016 (March 31, 2015: nil).

Interim Consolidated Statement of Cash Flows

(Expressed in thousands of US dollars - unaudited)

	Three-month period ended March 31,	
	2016	2015
	$	$
Cash flows from (used in):		
Operating activities		
Net income (loss) for the period	18,691	(7,849)
Adjustments for :		
Depreciation of property, plant and equipment	17,340	24,110
Share-based compensation	3,678	2,762
Write-off of other non-current assets related to financing fees	—	2,520
Unrealized foreign exchange loss (gain)	(4,790)	4,681
Deferred income taxes expense	171	6,263
Other	114	66
	35,204	32,553
Changes in non-cash working capital items (note 18 a)	6,765	196
Net cash provided by operating activities	41,969	32,749
Financing activities		
Drawdown (repayment) of long-term debt (note 7)	(30,000)	90,000
Long-term debt transaction costs (note 7)	—	(1,200)
Proceeds on issuance of share capital, net of expenses (note 9)	1,405	43,925
Net cash (used in) provided by financing activities	(28,595)	132,725
Investing activities		
Acquisition of Orbis Gold Limited	—	(154,550)
Acquisition of property, plant and equipment (note 18 c)	(19,543)	(17,887)
Net cash used in investing activities	(19,543)	(172,437)
Effect of exchange rate changes on cash and cash equivalents	5,670	(6,112)
Change in cash and cash equivalents during the period	(499)	(13,075)
Cash and cash equivalents – beginning of period	167,166	127,928
Cash and cash equivalents – end of period	166,667	114,853
Interest paid	1,582	—
Interest received	361	131
Income tax paid	85	—

Supplementary information on non-cash items (note 18 b)

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 headquarter is located at 100 Alexis-Nihon blvd., 7th floor, Saint-Laurent, Quebec, Canada, 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 operates the Mana Mine in Burkina Faso, which includes the high-grade satellite deposits of Siou and Fofina, and is advancing the development of the Natougou project. 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, 2015. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2015 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 May 10, 2016.

Significant Subsidiaries (Consolidated) – Ownership

	Country	March 31, 2016	December 31, 2015
SEMAFO Burkina Faso S.A.	Burkina Faso	90%	90%
Mana Minéral S.A.	Burkina Faso	100%	100%
SEMAFO (Barbados) Limited	Barbados	100%	100%
Orbis Gold PTY LTD ("Orbis")	Australia	100%	100%
Birimian Resources S.A.R.L.	Burkina Faso	100%	100%

3. Trade and Other Receivables

	As at March 31, 2016 $	As at December 31, 2015 $
Gold trade receivables	**41**	372
Other receivables	**17,399**	16,656
Advance receivable	**849**	—
	18,289	17,028

Gold 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 VAT receivables totalling $17,183,000 as at March 31, 2016 (December 31, 2015: $15,801,000). They are non-interest bearing and are generally settled within one to twelve months.

The Corporation holds no collateral for any receivable amounts outstanding as at March 31, 2016 (December 31, 2015: nil).

4. Inventories

	As at March 31, 2016 $	As at December 31, 2015 $
Gold in circuit	**8,039**	8,368
Stockpiles	**6,212**	7,760
Supplies and spare parts	**34,628**	37,072
	48,879	53,200

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 March 31, 2016, a provision expense amounting to $1,888,000 (three-month period ended March 31, 2015: $1,947,000) was recorded mainly in relation to spare parts.

5. Advance Receivable and Intangible Asset

On October 1, 2011, the Corporation entered into an agreement with the National Electricity Company in Burkina Faso (''Sonabel''), pursuant to which the Corporation agreed to advance up to $7,813,000 (4,500,000,000 FCFA) for the construction of a high-voltage transmission line to deliver power to the Mana Mine. In 2015, given the construction of the transmission line had been completed at a total cost below the amount anticipated, the amount to advance was revised to $7,187,000 (4,139,284,000 FCFA). Reimbursements to the Corporation by Sonabel began at the end of the first quarter of 2016 and should continue over a seven-year period in accordance with the agreement

The advance is non-interest bearing and is measured at amortized cost using the effective interest rate method, which has been determined using a weighted average discount rate of 7%. The intangible asset represents 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 benefits from the future supply of energy and is amortized over the useful life of the mine. The depreciation is recognized in the interim consolidated statement of income and classified within the depreciation of property, plant and equipment.

	Advance receivable $	Intangible asset $	Total $
As at January 1, 2015	4,229	1,915	6,144
Additions	424	142	566
Variation due to exchange rate, interest revenue and amortization	(121)	(201)	(322)
As at December 31, 2015	4,532	1,856	6,388
Variation due to exchange rate, interest revenue, amortization and reimbursements	142	(74)	68
As at March 31, 2016	4,674	1,782	6,456
Less: Current portion classified in trade and other receivables	(849)	—	(849)
Non-current portion	**3,825**	**1,782**	**5,607**

As at March 31, 2016, the advance receivable amounted to $4,674,000 (2,692,007,000 FCFA) and the intangible asset amounted to $1,782,000. The undiscounted value of the advance receivable was $5,875,000 (3,384,033,000 FCFA).

As at December 31, 2015, the advance receivable amounted to $4,532,000 (2,723,975,000 FCFA) and the intangible asset amounted to $1,856,000. The undiscounted value of the advance receivable was $5,698,000 (3,424,805,000 FCFA).

6. Property, Plant and Equipment

	Property, acquisition costs, deferred exploration and development costs	Exploration and evaluation assets (ii)	Buildings and equipment related to mining production	Mining equipment	Rolling stock, communi-cation and computer equipment	TOTAL
	$	$	$	$	$	$
Three-month period ended March 31, 2016						
Opening net book amount	182,676	182,097	114,400	46,254	3,660	529,087
Additions	14,196	4,578	962	565	233	20,534
Depreciation charge	(10,061)	—	(4,047)	(4,052)	(191)	(18,351)
Closing net book amount	**186,811**	**186,675**	**111,315**	**42,767**	**3,702**	**531,270**
As at March 31, 2016						
Cost	404,807	186,675	196,337	100,106	11,208	899,133
Accumulated depreciation	(217,996)	—	(85,022)	(57,339)	(7,506)	(367,863)
Net book amount	**186,811**	**186,675**	**111,315**	**42,767**	**3,702**	**531,270**
Assets not subject to depreciation included in above (i)	758	186,675	637	5,425	17	193,512
Year ended December 31, 2015						
Opening net book amount	196,299	3,111	127,122	52,144	3,712	382,388
Additions	44,694	24,947	3,763	8,421	748	82,573
Acquisition of Orbis	—	154,039	—	—	511	154,550
Depreciation charge	(58,317)	—	(16,485)	(14,311)	(1,311)	(90,424)
Closing net book amount	182,676	182,097	114,400	46,254	3,660	529,087
As at December 31, 2015						
Cost	390,611	182,097	195,375	100,656	11,088	879,827
Accumulated depreciation	(207,935)	—	(80,975)	(54,402)	(7,428)	(350,740)
Net book amount	182,676	182,097	114,400	46,254	3,660	529,087
Assets not subject to depreciation included in above (i)	287	182,097	1,028	5,367	—	188,779

(i) Assets not subject to depreciation include critical spare parts not yet installed of $5,774,000 (December 31, 2015: $6,080,000) as well as assets under construction, in transit or exploration and evaluation asset of $187,738,000 (December 31, 2015: $182,699,000).

(ii) Exploration and evaluation assets mainly comprise farm-in agreements, mining rights and exploration and evaluation expenditures which typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore such as topographical, geological, geochemical and geophysical studies as well as related financing cost. The following table sets forth the evolution of the costs capitalized to exploration and evaluation assets:

	Natougou, Burkina Faso	Other, Burkina Faso	Total
	$	$	$
As at January 1, 2015	546	2,565	3,111
Acquisition of Orbis	129,193	24,846	154,039
Variation in exploration and evaluation assets	12,697	6,152	18,849
Borrowing costs and amortization of financing fees	6,098	—	6,098
As at December 31, 2015	148,534	33,563	182,097
Variation in exploration and evaluation assets	2,360	532	2,892
Borrowing costs and amortization of financing fees	1,686	—	1,686
As at March 31, 2016	**152,580**	**34,095**	**186,675**

7. Long-Term Debt

Long-term debt consists of the following:

	As at March 31, 2016 $	As at December 31, 2015 $
Balance – beginning of period	**88,431**	—
New debt	**—**	90,000
Principal repayment	**(30,000)**	—
Deferred transaction costs	**—**	(2,550)
Amortization of transaction costs	**294**	981
Balance – end of period	**58,725**	88,431

	As at March 31, 2016 $	As at December 31, 2015 $
Long-term debt	**60,000**	90,000
Unamortized deferred transaction costs	**(1,275)**	(1,569)
Long-term debt, net of deferred transaction costs	**58,725**	88,431
Current portion	**—**	29,052
Non-current portion	**58,725**	59,379
	58,725	88,431

Original terms

On March 3, 2015, the Corporation entered into a long-term debt amounting to $90,000,000 ("Original Debt") with Macquarie Bank Limited ("Macquarie"). The Corporation used the proceeds of the Original Debt to fund the acquisition of Orbis. In consideration for the Original Debt, the Corporation incurred financing fees amounting to $2,550,000, of which $1,200,000 was paid in cash and $1,350,000 in common shares of the Corporation. The Original Debt bore interest at a rate equal to LIBOR plus 6.5% per annum, with the principal repayable initially in three equal annual installments. The first principal repayment was made on March 3, 2016. The Original Debt is secured by a pledge of all assets of SEMAFO Inc., which include SEMAFO (Barbados) Limited shares.

2016 amendment

On March 29, 2016, the Corporation executed an amendment to its Original debt agreement with Macquarie which consisted of an increase in available long-term debt to $120,000,000 with the incremental $60,000,000 ("New Advance") to be drawn down by June 30, 2017. The Corporation incurred financing fees of $5,959,000 related to the New Advance of which $5,700,000 was settled in common shares of the Corporation and $259,000 to be settled in cash. The financing fees of $5,959,000 were capitalized in "other non-current assets" in the interim consolidated statement of financial position and were not subject to amortization since the New Advance was not drawn as at March 31, 2016.

In connection with the amendment described above and effective March 29, 2016, the interest rate was reduced to LIBOR plus 4.75% per annum, with principal repayable in eight quarterly installments of $15,000,000, the first principal repayment starting March 31, 2019. In the event that the New Advance is not draw down, repayment installments of $30,000,000 will be made on June 30, 2017 and March 31, 2018.

The long-term debt is subject to the following covenants on a quarterly basis:

- Current Ratio of greater than 1.20:1
- Ratio of Net Debt to Trailing Two Quarter EBITDA of less than 5.00:1

The amendment was accounted for as a modification of debt. As at March 31, 2016, all covenants were respected. For the three-month ended March 31, 2016, the annual effective interest rate was 8%.

8. Provisions

	As at March 31, 2016 $	As at December 31, 2015 $
Current	**5,702**	6,346
Non-current	**7,527**	7,313
	13,229	13,659

	Asset retirement obligations $	Other $	Total $
As at January 1, 2015	5,897	7,599	13,496
Additional provisions	366	767	1,133
Increase due to accretion expense	413	43	456
Used during the period	—	(794)	(794)
Variation due to exchange rate	—	(632)	(632)
As at December 31, 2015	6,676	6,983	13,659
Variation due to accretion expense, exchange rate, provisions used during the period and additional provisions	213	(643)	(430)
As at March 31, 2016	**6,889**	**6,340**	**13,229**

9. Share Capital

Shares issued from the exercise of options

A total of 864,000 options were exercised during the three-month period ended March 31, 2016, under both the Share Option Plan ("Original Plan") and the 2010 Share Option Plan (2010 Plan) for a cash consideration of $1,405,000. An amount of $761,000 has been reclassified from contributed surplus to share capital. For the same period in 2015, a total of 30,000 options were exercised under both the Original Plan and the 2010 Plan for a cash consideration of $51,000. An amount of $19,000 has been reclassified from contributed surplus to share capital.

Shares issued in consideration of financing costs on long-term debt

On March 29, 2016, the Corporation executed an amendment to its Original Debt agreement with Macquarie. The Corporation incurred financing fees of $5,959,000 related to the New Advance of which $5,700,000 was settled in issuing 1,642,479 common shares of the Corporation.

10. 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 profit or loss or in other comprehensive income. These categories are loans and receivables and financial liabilities at amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories as at March 31, 2016 and December 31, 2015.

	As at March 31, 2016 $	As at December 31, 2015 $
Financial assets		
Loans and receivables		
Cash and cash equivalents	**166,667**	167,166
Restricted cash	**4,609**	4,388
Gold trade receivables	**41**	372
Advance receivable	**4,674**	4,532
Other receivables (excluding VAT)	**216**	855
	176,207	177,313
Financial liabilities		
Amortized cost		
Trade payables and other financial liabilities	**31,949**	33,215
Long-term debt	**58,725**	88,431
	90,674	121,646

Fair Value

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) and trade payables and other financial liabilities. The fair value of the advance receivable was estimated by discounting the future cash flows which approximates its carrying value. The fair value of restricted cash approximates its carrying amount. Long-term debt was accounted for at amortized cost and its fair value approximates its carrying value.

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

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 condensed interim consolidated 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 type of investment is appropriate.

The advance receivable is classified as a Level 3 financial instrument according to the Corporation's fair value hierarchy as a recurring item. The valuation technique used is the income approach (discounted future cash flows) with an effective interest rate of 7% over a seven-year period. Interest income is recognized in the interim consolidated statement of income (loss) as part of finance income. The fair value as at March 31, 2016 was $4,674,000 (December 31, 2015: $4,532,000) and was not significantly different from its carrying amount.

10. Financial Instruments (continued)

The investment in GoviEx Uranium Inc. ("GoviEx"), a publicly traded mineral resources company focused on the exploration and development of uranium properties in Niger, is classified as available-for-sale assets. Its fair value is a recurring measurement. As at March 31, 2016 the GoviEx investment remains classified as a Level 3 financial instrument according to its fair value hierarchy. In accordance with the Corporation's policy and its valuation techniques using the last bid price observed on the Canadian Securities Exchange as the starting point and combined with qualitative factors, the Corporation estimates the fair value of this available-for-sale investment to be nil (December 31, 2015: nil).

There were no transfers between Level 1, Level 2 and Level 3 as at March 31, 2016 and December 31, 2015.

11. Share-Based Compensation

The following table details the share unit plans liabilities:

	As at March 31, 2016 $	As at December 31, 2015 $
Current	**5,976**	1,360
Non-current	**2,940**	4,485
	8,916	5,845

The following table provides the break-down of the share-based compensation expense by type of share unit:

	Three-month period ended March 31, 2016 $	2015 $
Restricted Share Unit ("RSU") plan	**2,746**	2,296
Deferred Share Unit ("DSU") plan	**838**	466
Performance Share Unit ("PSU") (a)	**94**	—
	3,678	2,762

The following table breaks down the share-based compensation expense related to the share price and outstanding units:

	Three-month period ended March 31, 2016 $	2015 $
Expense related to outstanding units	**1,441**	1,396
Expense related to change in the fair value of the share price	**2,237**	1,366
	3,678	2,762

a) PSU

In the first quarter of 2016, the Corporation granted PSUs under the RSU plan. PSUs can be granted to employees, directors, officers and consultants as part of their long-term compensation package, entitling them to receive payout in cash if the vesting conditions are met. The PSUs granted are scheduled for payout after three years provided that the applicable vesting conditions are met at the end of the performance cycle. The performance criterion is based on the Corporation's share price in comparison to a customize index regrouping peer companies. The value of the payout is determined by multiplying the number of PSUs vested at the end of the performance cycle by the average closing price of the Corporation's shares in the last five trading days prior to the end of said performance cycle and adjusted by a performance payout multiplier between 0% and 150%.

12. Income Taxes

Income Tax Expense

The tax on the Corporation's income before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Three-month period ended March 31,	
	2016	2015
	$	$
Income before income taxes	**22,816**	2,018
Canadian combined tax rate	**26.90%**	26.90%
Tax calculated at Canadian combined tax rate	**6,138**	543
Tax effects of:		
Difference in tax rate of foreign subsidiaries	**(2,586)**	(634)
Unrecorded tax benefits	**1,070**	1,850
Permanent differences	**(326)**	—
Foreign exchange gain/loss not materialized	**218**	—
Effect of currency translation on tax base	**(2,551)**	7,523
Other tax included in income tax expense	**2,078**	605
Other	**84**	(20)
Income tax expense	**4,125**	9,867

13. Mining Operation Expenses

	Three-month period ended March 31,	
	2016	2015
	$	$
Production costs	**28,722**	29,063
Government royalties	**3,018**	2,933
	31,740	31,996

14. General and Administrative

	Three-month period ended March 31,	
	2016	2015
	$	$
Corporate expenses	**3,231**	2,950
Sites – Administrative	**596**	665
	3,827	3,615

15. Finance Costs

	Three-month period ended March 31,	
	2016	2015
	$	$
Accretion expense	**126**	115
Financing fees	**—**	2,520
Other	**176**	404
	302	3,039

During the three-month period ended March 31, 2015, the Corporation wrote-off financing fees of $2,520,000 related to the cancellation of the Facility, which were initially capitalized as other non-current assets.

16. Earnings (loss) per Share

	Three-month period ended March 31,	
	2016	2015
	$	$
(in thousands of dollars, except shares and per shares)		
Net income (loss) for the period attributable to equity shareholders	**16,184**	(8,114)
Average weighted number of outstanding common shares – basic	**294,467**	281,486
Dilutive effect of options[1]	**951**	—
Weighted average number of outstanding common shares – diluted	**295,418**	281,486
Basic earnings (loss) per share	**0.05**	(0.03)
Diluted earnings (loss) per share	**0.05**	(0.03)

17. Financial Commitments and Contingencies

Purchase Obligations
As at March 31, 2016, purchase commitments totalled $3,103,000.

Government Royalties
In Burkina Faso, all shipments with gold spot prices lower or equal to $1,000 per ounce are subject to a royalty rate of 3%, a 4% rate is applied to all shipments with gold spot prices between $1,000 and $1,300 per ounce, and a 5% royalty rate is applied to all shipments with a gold spot price greater than $1,300 per ounce. In the first quarter of 2016, the Corporation was subject to a royalty rate of 4%, which was calculated using the retail market value of gold ounces sold at the time of shipment. For the three-month period ended March 31, 2016, government royalties amounting to $3,018,000 (three-month period ended March 31, 2015: $2,933,000) were paid to the Government of Burkina Faso.

Net Smelter Royalty ("NSR")
The Corporation is subject to an NSR ranging from 1% to 1.5% on various exploration properties. The NSR comes into effect when the Corporation enters into commercial production.

Contingencies
On October 15, 2015, the Corporation received a water extraction tax invoice of $3,896,000 (2,244,166,000 FCFA). The Corporation is exempt from this tax under its mining agreement in Burkina Faso pursuant to fiscal stability clauses. As a result, no provision was recorded in the consolidated financial statements as at March 31, 2016. The Corporation is vigorously defending its position with the Water Agency.

[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.

18. Financial Information Included in the Consolidated Statement of Cash Flows

a) Changes in non-cash working capital items

	Three-month period ended March 31,	
	2016	2015
	$	$
Trade and other receivables	**(344)**	2,669
Income tax receivable	**1,634**	4,754
Inventories	**3,887**	(1,992)
Other current assets	**100**	697
Trade payables and accrued liabilities	**771**	(4,023)
Share unit plan liabilities	**(607)**	(1,938)
Provisions	**(920)**	29
Income tax payable	**2,244**	—
	6,765	196

b) Supplemental information on non-cash items

	Three-month period ended March 31,	
	2016	2015
	$	$
Depreciation of property, plant and equipment allocated to exploration and development costs	**1,519**	665
Net effect of depreciation of property, plant and equipment allocated to inventories	**(434)**	2,744
New asset retirement obligations allocated to property, plant and equipment	**96**	95
Net book amount of written-off assets (cost of $1,228,000 for the three-month period ended March 31, 2016)	**362**	—
Variation in unpaid property, plant and equipment	**(919)**	(4,016)
Amortization of capitalized financing fees	**294**	—

c) Supplemental information on acquisitions of property, plant and equipment

	Three-month period ended March 31,	
	2016	2015
	$	$
Acquisitions of exploration and evaluation assets	**(4,630)**	(1,449)
Acquisitions of other property, plant and equipment	**(14,913)**	(16,438)
	(19,543)	(17,887)

19. Segmented Information

The Corporation is conducting exploration and production activities in Burkina Faso. 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. During 2015, the Corporation modified the reportable segments in order to add a new segment, "Natougou", which represents the main property acquired through the acquisition of Orbis. The Corporation evaluates the performance of its operating segments primarily based on segment operating income, as defined below.

					Three-month period ended March 31, 2016
	Mana, Burkina Faso	Natougou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	74,556	—	—	—	74,556
Mining operating expenses	31,740	—	—	—	31,740
Depreciation of property, plant and equipment	17,276	—	—	64	17,340
General and administrative	596	—	—	3,231	3,827
Corporate social responsibility expenses	135	—	—	—	135
Share-based compensation	—	—	—	3,678	3,678
Operating income (loss)	**24,809**	**—**	**—**	**(6,973)**	**17,836**
Property, plant and equipment	341,676	153,603	34,116	1,875	531,270
Total assets	543,085	153,603	35,440	51,674	783,802

					Three-month period ended March 31, 2015
	Mana, Burkina Faso	Natougou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	74,016	—	—	—	74,016
Mining operating expenses	31,996	—	—	—	31,996
Depreciation of property, plant and equipment	24,024	—	—	86	24,110
General and administrative	665	—	—	2,950	3,615
Corporate social responsibility expenses	326	—	—	—	326
Share-based compensation	—	—	—	2,762	2,762
Operating income (loss)	**17,005**	**—**	**—**	**(5,798)**	**11,207**
Property, plant and equipment	361,342	131,171	29,356	2,181	524,050
Total assets	498,135	131,171	29,550	81,446	740,302

20. Event After the Reporting Period

Bought Deal Financing

On April 22, 2016, a syndicate of underwriters purchased, on a bought deal basis, 26,450,000 common shares of the Corporation, at a price of $3.43 (C$4.35) per common share for aggregate gross proceeds of approximately $90,762,000 (C$115,057,500). Share issue expenses related to this bought deal financing totalled approximately $4,787,000.

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