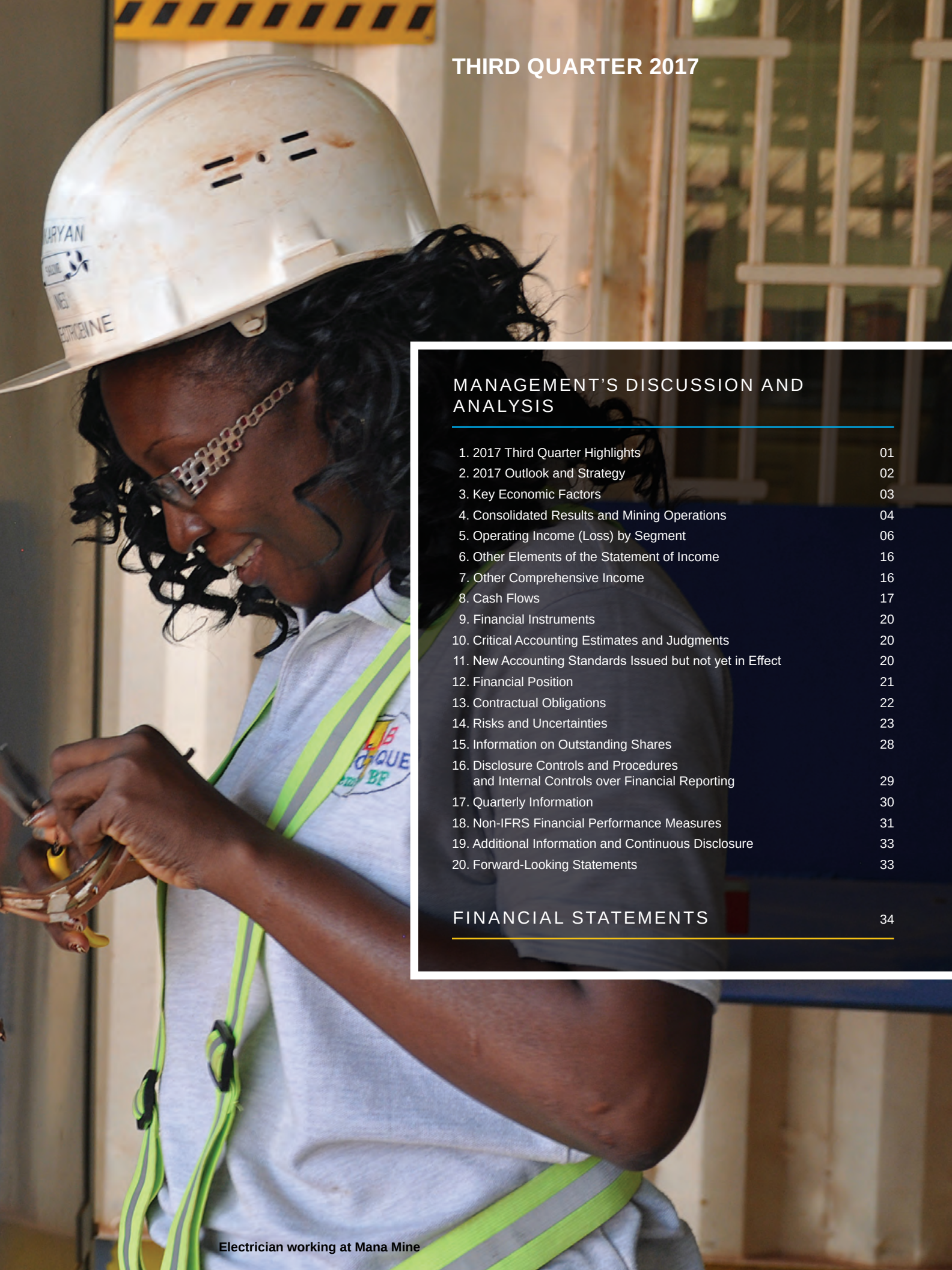
UNEARTHING THE FUTURE

THIRD QUARTER
PERIOD ENDED SEPTEMBER 30, 2017

SEMAFO
INTERNATIONAL EXPERTISE®
HUMAN ADVOCACY



THIRD QUARTER 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Electrician working at Mana Mine

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 deposit of Siou, and is targeting production start-up of the Boungou Mine in the third quarter of 2018. SEMAFO's strategic focus is to maximize shareholder value by effectively managing its existing assets as well as pursuing organic and strategic growth opportunities.

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Corporation's business, strategy and performance, as well as how it manages risks and capital resources. This MD&A, prepared as of November 7, 2017, is intended to complement and supplement our Condensed Interim Consolidated Financial Statements (the "financial statements") as at September 30, 2017 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. 2017 Third Quarter Highlights

- Zone 9 back on track with good reconciliation to reserves
- Gold production of 53,900 ounces compared to 62,500 ounces for the same period in 2016
- Gold sales of $69.8 million compared to $80.2 million for the same period in 2016
- Total cash cost[1] of $557 per ounce sold and all-in sustaining cost[1] of $841 per ounce sold compared to $574 and $751, respectively, for the same period in 2016
- Net operating income of $11.8 million compared to $23.0 million for the same period in 2016
- Adjusted operating income[1] of $12.9 million compared to $21.5 million for the same period in 2016
- Net income of $13.8 million compared to $19.6 million for the same period in 2016
- Adjusted net income attributable to equity shareholders[1] of $8.4 million or $0.03 per share[1] compared to $14.9 million or $0.05 per share[1] for the same period in 2016
- Cash flows from operating activities[2] of $34.9 million or $0.11 per share[1] compared to $39.3 million or $0.12 per share[1] for the same period in 2016

Boungou Mine

- Development on schedule with $113 million spent out of $231 million
- Construction 63% complete
- Relocation of Boungou residents to newly constructed village
- Completion of over 70% of the total concrete pour
- Installation of the vertimill and completion of the foundations for the SAG mill
- Erection of the leach tanks complete and water tanks halfway complete
- 2.5 million man-hours have been worked without lost-time injury
- Extraction of 5.3 million tonnes of pre-stripping material to date
- Signing of a three-year collective agreement with Boungou employees

[1] Total cash cost, all-in sustaining cost, adjusted operating income, 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 performance measures" section of this MD&A, note 18.

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

2. 2017 Outlook and Strategy[1]

2017 Outlook

	2017 Outlook
Gold production (ounces)	190,000 - 205,000
All-in sustaining cost[2] (per ounce sold)	920 - 960

We expect to attain the upper end of our 2017 production outlook of between 190,000 and 205,000 ounces of gold and to meet our all-in sustaining cost[2] outlook of between $920 and $960 per ounce.

[1] This section contains forward-looking statements. For more information on forward-looking statements, see note 20.
[2] All-in-sustaining costs is non-IFRS financial performance measures with no standard definition under IFRS.

3. Key Economic Factors

Price of Gold

During the third quarter of 2017, the price of gold, based on the London Gold Fix PM, fluctuated from a high of $1,346 to a low of $1,211 per ounce. The average market gold price in the third quarter of 2017 was $1,278 per ounce compared to $1,335 per ounce for the same period in 2016, representing a decrease of $57.

	2017			2016		
	Q3	Q2	Q1	Q3	Q2	Q1
(in dollars per ounce)						
Average London Gold Fix	1,278	1,257	1,219	1,335	1,260	1,183
Average realized selling price	1,282	1,265	1,223	1,337	1,262	1,187

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 $52 per barrel in the third quarter of 2017 compared to $47 per barrel for the same period in 2016.

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 with a time lag. The average price fixed by decree was 595 FCFA (equivalent to $1.07) per litre in the three-month period ended September 30, 2017 compared to 595 FCFA (equivalent to $1.01) in 2016.

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 September 30, 2017, the US dollar was weaker relative to the Euro compared to the same period in 2016. As approximately 75% of our costs are nominated in foreign currencies other than the US dollar, the foreign exchange fluctuation negatively impacted our total cash cost[1] and all-in sustaining cost[1]. The outlook was defined with an exchange rate of 0.95 EUR to US dollars.

Exchange rates are as follows:

	CAD / USD $		EUR / USD $	
	2017	2016	2017	2016
December 31 (closing)	—	1.3427	—	0.9476
March 31 (closing)	**1.3322**	1.2971	**0.9348**	0.8779
June 30 (closing)	**1.2982**	1.3009	**0.8754**	0.9063
September 30 (closing)	**1.2465**	1.3117	**0.8463**	0.8898
First quarter (average)	**1.3246**	1.3746	**0.9377**	0.9085
Second quarter (average)	**1.3440**	1.2890	**0.9110**	0.8848
Third quarter (average)	**1.2530**	1.3059	**0.8502**	0.8967

[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 performance measures" section of this MD&A, note 18.

4. Consolidated Results and Mining Operations

Financial and Operating Highlights

	Three-month period ended September 30,			Nine-month period ended September 30,		
	2017	2016	Variation	**2017**	2016	Variation
Gold ounces produced	**53,900**	62,500	(14%)	**156,900**	185,100	(15%)
Gold ounces sold	**54,500**	60,000	(9%)	**156,100**	183,500	(15%)
(in thousands of dollars, except amounts per share)						
Revenues – Gold sales	**69,832**	80,200	(13%)	**196,033**	231,346	(15%)
Mining operation expenses	**27,329**	30,410	(10%)	**93,467**	89,203	5%
Government royalties	**3,011**	4,028	(25%)	**8,092**	10,185	(21%)
Depreciation of property, plant and equipment	**21,921**	19,880	10%	**71,984**	57,384	25%
Share-based compensation	**1,997**	(576)	—	**2,121**	8,229	(74%)
Other	**3,755**	3,442	9%	**11,090**	11,065	—
Operating income	**11,819**	23,016	(49%)	**9,279**	55,280	(83%)
Finance income	**(952)**	(519)	83%	**(2,488)**	(1,465)	70%
Finance costs	**336**	314	7%	**981**	1,678	(42%)
Foreign exchange gain	**(2,779)**	(191)	(1,355%)	**(9,711)**	(2,386)	307%
Income tax expense (recovery)	**1,407**	3,853	(63%)	**(274)**	12,125	—
Net income for the period	**13,807**	19,559	(29%)	**20,771**	45,328	(54%)
Attributable to equity shareholders						
Net income	**12,224**	17,680	(31%)	**18,387**	39,168	(53%)
Basic earnings per share	**0.04**	0.05	(20%)	**0.06**	0.13	(54%)
Diluted earnings per share	**0.04**	0.05	(20%)	**0.06**	0.13	(54%)
Adjusted amounts						
Adjusted operating income[1]	**12,897**	21,451	(40%)	**8,254**	60,435	(86%)
Adjusted net income attributable to equity shareholders[1]	**8,446**	14,855	(43%)	**1,179**	40,210	(97%)
Per share[1]	**0.03**	0.05	(40%)	**—**	0.13	(100%)
Cash flows						
Cash flows from operating activities[2]	**34,853**	39,266	(11%)	**81,614**	111,860	(27%)
Per share[1]	**0.11**	0.12	(8%)	**0.25**	0.36	(31%)
Statistics (in dollars)						
Average realized selling price (per ounce)	**1,282**	1,337	(4%)	**1,256**	1,261	—
Cash operating cost (per tonne processed)[1]	**42**	41	2%	**46**	44	5%
Total cash cost (per ounce sold)[1]	**557**	574	(3%)	**651**	542	20%
All-in sustaining cost (per ounce sold)[1]	**841**	751	12%	**929**	730	27%

[1] Adjusted operating income, 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 performance measures" section of this MD&A, note 18.

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

4. Consolidated Results and Mining Operations (continued)

Third Quarter 2017 v. Third Quarter 2016

- During the third quarter of 2017, gold sales amounted to $69,832,000 compared to $80,200,000 for the same period in 2016. The 13% decrease is mainly due to lower gold ounces produced and sold and results from the mine plan sequence. The variation between gold ounces sold and gold ounces produced during the quarter is due to the timing of shipments.
- Mining operating expenses decreased during the quarter compared to the same period in 2016 as a result of lower throughput.
- Lower government royalties are a direct result of lower gold sales.
- The 2017 increase in depreciation of property, plant and equipment mainly reflects a higher capitalized stripping ratio from Siou at depth compared to the same period in 2016.
- Higher share-based compensation expense during the third quarter of 2017 compared to the same period in 2016 is a result of an increase in our share price.
- The decrease in operating income in the third quarter of 2017 compared to the same period in 2016 is mainly due to lower gold sales, higher depreciation and higher share-based compensation expense.
- The foreign exchange gain amounted to $2,779,000 due to the revaluation of our monetary assets denominated in foreign currencies following the weakening of the US dollar as at September 30, 2017 compared to June 30, 2017.
- The decrease in income tax expense is due to a decrease in taxable income at the Mana Mine compared to the same period in 2016. In addition, the income tax expense decrease is due to the weakening of the US dollar at the end of the third quarter of 2017 whereas the US dollar strengthened in 2016. At the close of the third quarter of 2017, 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 recovery of $2,077,000 for the third quarter of 2017, compared to $1,069,000 for the same period in 2016. 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.

First Nine Months of 2017 v. First Nine Months of 2016

- During the first nine months of 2017, gold sales amounted to $196,033,000 compared to $231,346,000 for the same period in 2016. The decrease in gold sales is caused by lower gold ounces produced and sold. See note 5 for more information. The variation between gold ounces sold and gold ounces produced is due to the timing of shipments.
- Lower government royalties are a direct result of lower gold sales.
- The 2017 increase in depreciation of property, plant and equipment mainly reflects a higher capitalized stripping ratio from Siou at depth compared to the same period in 2016.
- Lower share-based compensation expense during the first nine months of 2017 compared to the same period in 2016 is due to the change in our share price.
- The decrease in operating income in the first nine months of 2017 compared to the same period in 2016 is mainly due to lower gold sales and higher depreciation, partially offset by lower share-based compensation expense.
- The foreign exchange gain amounted to $9,711,000 due to the revaluation of our monetary assets denominated in foreign currencies following the weakening of the US dollar as at September 30, 2017 compared to December 31, 2016.
- The decrease in income tax expense is due to the weakening of the US dollar at the end of the third quarter of 2017 whereas the US dollar strengthened in 2016. At the close of the third quarter of 2017, 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 recovery of $6,472,000 for the first nine months of 2017, compared to $1,727,000 for the same period in 2016. 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. In addition, a decrease in taxable income at the Mana Mine compared to the same period in 2016 contributed to the reduction of the income tax expense.

5. Operating Income (Loss) by Segment

	Three-month period ended September 30,			Nine-month period ended September 30,		
	2017	2016	Variation	2017	2016	Variation
(in thousands)	$	$	%	$	$	%
Mana, Burkina Faso	**16,673**	24,812	(33%)	**20,193**	72,035	(72%)
Boungou, Burkina Faso	**—**	—	—	**(97)**	—	—
Other exploration	**—**	—	—	**—**	—	—
Corporate and other	**(4,854)**	(1,796)	(170%)	**(10,817)**	(16,755)	35%
	11,819	23,016	(49%)	**9,279**	55,280	(83%)

In the three-month and nine-month periods ended September 30, 2017, the operating loss of the segment "Corporate and other" increased and decreased, respectively, compared to the same period in 2016. These are mainly due to variations in share-based compensation expenses resulting from changes in our share price.

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

Mana, Burkina Faso

Mining Operations

	Three-month period ended September 30,			Nine-month period ended September 30,		
	2017	2016	Variation	**2017**	2016	Variation
Operating Data						
Ore mined (tonnes)	**516,700**	555,200	(7%)	**1,499,300**	1,620,000	(7%)
Ore processed (tonnes)	**679,100**	751,700	(10%)	**2,086,400**	2,039,100	2%
Waste mined (tonnes)	**3,629,200**	3,155,800	15%	**12,215,200**	11,424,900	7%
Operational stripping ratio	**7.0**	5.7	23%	**8.1**	7.1	14%
Head grade (g/t)	**2.55**	2.71	(6%)	**2.47**	3.01	(18%)
Recovery (%)	**97**	95	2%	**95**	94	1%
Gold ounces produced	**53,900**	62,500	(14%)	**156,900**	185,100	(15%)
Gold ounces sold	**54,500**	60,000	(9%)	**156,100**	183,500	(15%)
Capitalized Stripping Activity						
Waste material – Siou (tonnes)	**2,675,400**	4,106,000	(35%)	**11,028,500**	10,754,900	3%
Waste material – Fofina (tonnes)	**—**	—	—	**—**	2,820,300	(100%)
Waste material – Wona (tonnes)	**3,170,300**	891,100	256%	**6,884,600**	891,100	673%
	5,845,700	4,997,100	17%	**17,913,100**	14,466,300	24%
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**69,832**	80,200	(13%)	**196,033**	231,346	(15%)
Mining operations expenses	**27,329**	30,410	(10%)	**93,467**	89,203	5%
Government royalties	**3,011**	4,028	(25%)	**8,092**	10,185	(21%)
Depreciation of property, plant and equipment	**21,831**	19,814	10%	**71,714**	57,187	25%
General and administrative	**686**	889	(23%)	**1,898**	2,174	(13%)
Corporate social responsibility expenses	**302**	247	22%	**669**	562	19%
Segment operating income	**16,673**	24,812	(33%)	**20,193**	72,035	(72%)
Statistics (in dollars)						
Average realized selling price (per ounce)	**1,282**	1,337	(4%)	**1,256**	1,261	—
Cash operating cost (per tonne processed)[1]	**42**	41	2%	**46**	44	5%
Total cash cost (per ounce sold)[1]	**557**	574	(3%)	**651**	542	20%
All-in sustaining cost (per ounce sold)[1]	**841**	751	12%	**929**	730	27%
Depreciation (per ounce sold)[2]	**401**	330	22%	**459**	312	47%

[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 18.

[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.

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

Mana, Burkina Faso (continued)

Mining Operations (continued)

Third Quarter 2017 v. Third Quarter 2016

- Given the mine plan, the ore processed decreased by 10%, compared to the same period in 2016.
- During the third quarter of 2017, the mill processed 679,100 tonnes at an average grade of 2.55 g/t Au, including 216,500 tonnes of low-grade material not included in our reserves. The latter results from a decision to take advantage of higher gold prices and available milling capacity in order to generate additional cash flow. The lower head grade in the third quarter of 2017 is a direct result of this decision, without which the head grade would have been 3.42 g/t Au. This includes 240,000 tonnes of ore from Zone 9 at an average grade of 5.0 g/t Au, showing good reconciliation with our reserves.
- During the third quarter of 2017, gold sales amounted to $69,832,000 compared to $80,200,000 for the same period in 2016. The 13% decrease in gold sales is caused by lower gold ounces sold. The variation between gold ounces sold and gold ounces produced during the quarter is due to the timing of shipments.
- The decrease in government royalties during the third quarter of 2017 is a direct result of lower gold sales.
- The 2017 increase in depreciation of property, plant and equipment and depreciation[1] per ounce sold mainly reflects a higher capitalized stripping ratio from Siou at depth compared to the same period in 2016.
- As expected, the total cash cost[2] and all-in sustaining cost[2] in 2017 reached $557 and $841 per ounce sold, respectively, compared to $574 and $751 per ounce sold, respectively, for the same period in 2016. The 2017 all-in sustaining cost increase is due to a higher stripping ratio.

First Nine Months of 2017 v. First Nine Months of 2016

- During the first nine-month period of 2017, the head grade was lower than in 2016 due to the geological interpretation issues in the upper portion of Zone 9, earlier this year. In addition, the decrease in head grade is due to the processing of 506,100 tonnes of low-grade material not included in our reserves. This results from the decision to take advantage of higher gold prices and available milling capacity in order to generate additional cash flow. Absent the impact of this decision, the head grade would have been 3.03 g/t Au.
- As previously explained, the decrease in gold ounces produced and sold is a direct result of the 18% lower head grade, partially offset by higher throughput.
- Lower gold sales are caused by lower gold ounces produced and sold.
- The 2017 increase in depreciation of property, plant and equipment and depreciation[1] per ounce sold mainly reflects a higher capitalized stripping ratio from Siou at depth compared to the same period in 2016.
- In the first nine-month period of 2017, the total cash cost[2] and all-in sustaining cost[2] reached $651 and $929 per ounce sold compared to $542 and $730 per ounce sold, respectively, for the same period in 2016 due to a lower head grade and a higher stripping ratio.

[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] 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 performance measures" section of this MD&A, note 18.

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

Boungou, Burkina Faso[1]

Boungou Mine

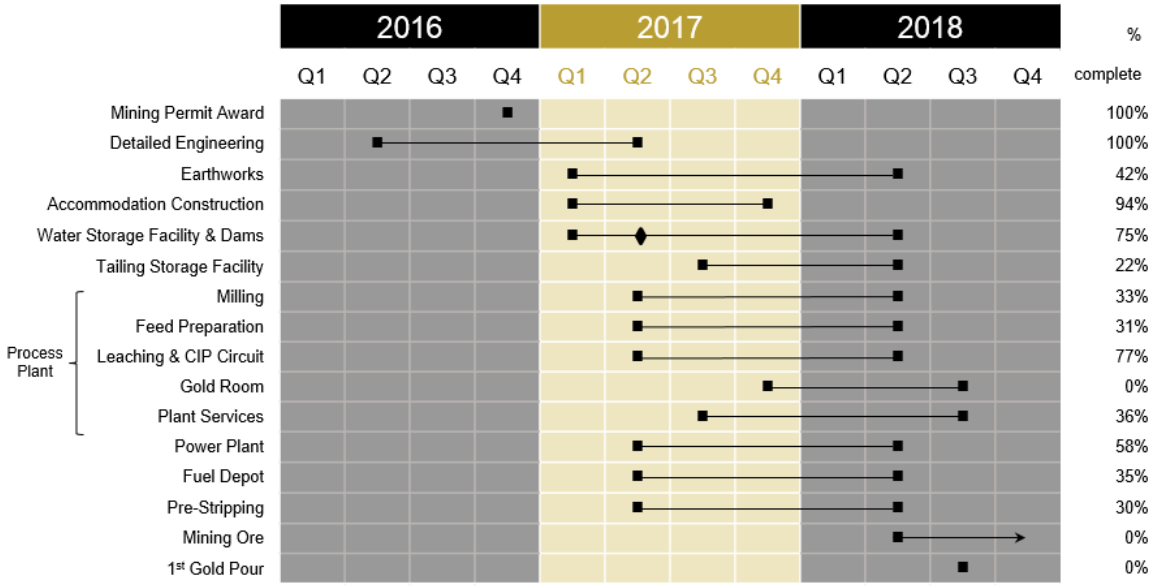
The Boungou high-grade open pit deposit is located 320 kilometers east of Ouagadougou, the capital city of Burkina Faso. In 2016, we completed a feasibility study that includes a maiden reserves estimate of 9.6 million tonnes at an average grade of 4.15 g/t Au for 1,276,000 ounces of contained gold. During the first three years, average annual production is estimated at over 226,000 ounces at a total cash cost[2] of $283 per ounce and an all-in sustaining cost[2] of $374 per ounce. Construction began in early January 2017, with the first gold pour scheduled for the third quarter of 2018.

Construction of the Boungou Mine continues to advance on time and on budget. As at September 30, 2017, the following achievements had been made:

- Development on schedule with $113 million spent
- Construction 63% complete
- Relocation of Boungou residents to newly constructed village
- Completion of over 70% of the total concrete pour
- Installation of the vertimill and completion of the foundations for the SAG mill
- Erection of the leach tanks complete with erection of water tanks halfway complete
- Delivery of most major long-lead items on site: the primary crusher, SAG mill shell and power plant gensets
- Erection of structural steel ongoing in the pebble crusher, reagent storage, reclaim, grinding, workshop and pipe rack areas
- Final elevation of water storage facility embankment
- Commencement of earthworks on the tailings storage facility
- Pre-stripping continues at the Boungou deposit with 5.3 million of the projected 18 million tonnes extracted
- 1,695 personnel including contractors were employed on site, 90% of which are Burkinabe
- 2.5 million man-hours have been worked without lost-time injury
- Signing of a three-year collective agreement with Boungou employees

The table below presents the construction milestones for the Boungou Mine and their level of completion:

Table 1 - Construction Milestones as at September 30, 2017



♦ The water storage is already functional

[1] This section contains forward-looking statements. For more information on forward-looking statements, see note 20.
[2] Total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS.

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

Exploration

Tapoa (Boungou Mine)

West and East Flank Sectors

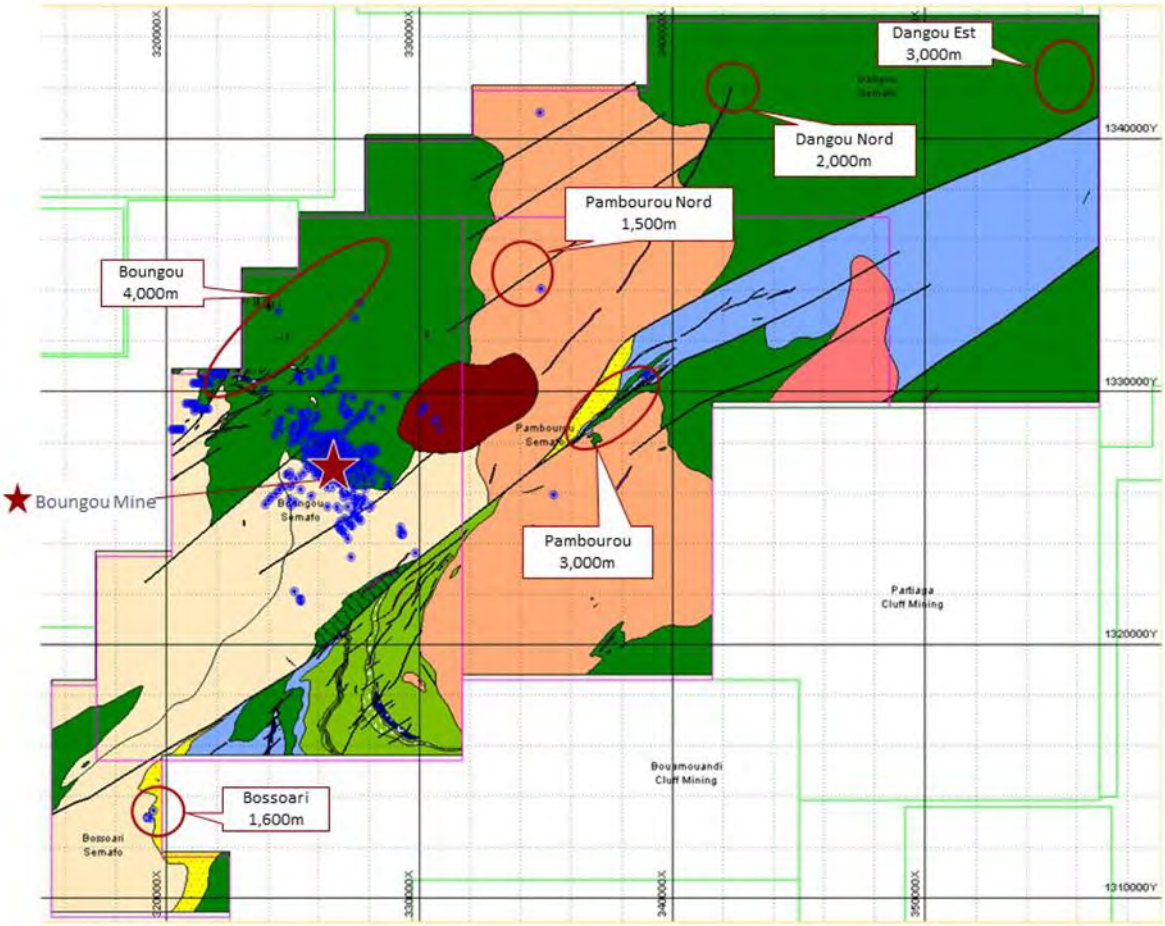
Data compilation and resource estimation of the West and East Flanks is underway to support the pre-feasibility study that is scheduled for completion in the first quarter of 2018.

Regional Exploration

In the third quarter, a total of 600 meters was drilled in 4 reverse-circulation (RC) holes on the Boungou permit in order to test an auger anomaly located in the southwest part of the 045 Trend. Drilling subsequently slowed down due to the rainy season, and an exploration RC drilling program resumed in October, testing auger targets. A total of 15,000 meters of RC drilling will be carried out in the second half of the year, 5,000 meters of which on the Dangou permit, 4,000 meters on the Boungou permit and 3,000 meters on the Pambourou permit (see Figure 1).

During the rainy season, the exploration team completed a soil sampling program (680 samples) covering the southern part of the property along the 045 Trend.

Figure 1 - Regional Exploration at Boungou



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

Exploration (continued)

Mana Project

The Siou at depth program was completed in July prior to the rainy season with 15 core holes (4,400 meters), including three geotechnical drill holes, which also completed the geotechnical study for the program.

The following table provides the highlights of assay results received in the third quarter of 2017:

BHID	From (m)	To (m)	Length	Au - g/t	Au - Capped (40 g/t Au)[1]	Zone
WDC944	244.5	247.5	3.0	10.81	6.67	Siou
WDC944	325.8	336.7	10.9	5.66		9
WDC947	301.0	302.8	1.8	29.76	18.85	55
WDC960	319.9	326.5	6.6	34.00	13.59	9
WDC961	317.0	329.5	12.5	14.94	11.78	9
WDC962	345.9	350.9	5.0	35.85	18.66	9

[1] All lengths are along the hole axis.

Compilation and resource estimation is in progress with the aim of delivering a pre-feasibility study for Siou at depth in the first quarter of 2018.

Also in the quarter, 427 auger holes (6,850 meters) were drilled on the Bara permit along the Siou Shear Zone, some 20 kilometers north of the Siou deposit and 20 kilometers from the Mana processing plant.

Yactibo (Nabanga Project)

A core drill program is planned for early 2018 in order to test the extension of the mineralized veins at depth.

Kongolokoro (Houndé Greenstone Belt)

During the third quarter, a program consisting of four core holes (1,220 meters) was drilled, testing the down plunge of the Bantou mineralized zones on the Dynikongolo permit. The objective was to test the extension of the mineralization below a 200-meter depth, in addition to providing geological and mineralogical information for the zone. Two of the four holes returned significant gold values, suggesting a southwest plunge of the mineralization at depth (Figure 2). Hole DYDD011 returned 3.29 g/t Au over 14.8 meters (including 6.2 g/t Au over 4.4 meters) in the Hangingwall Zone. Hole DYDD012 returned an average grade of 7.46 g/t Au (11.99 g/t Au uncut) over 3.2 meters in the Hangingwall Zone and 3.92 g/t Au over 9 meters in the Main Zone.

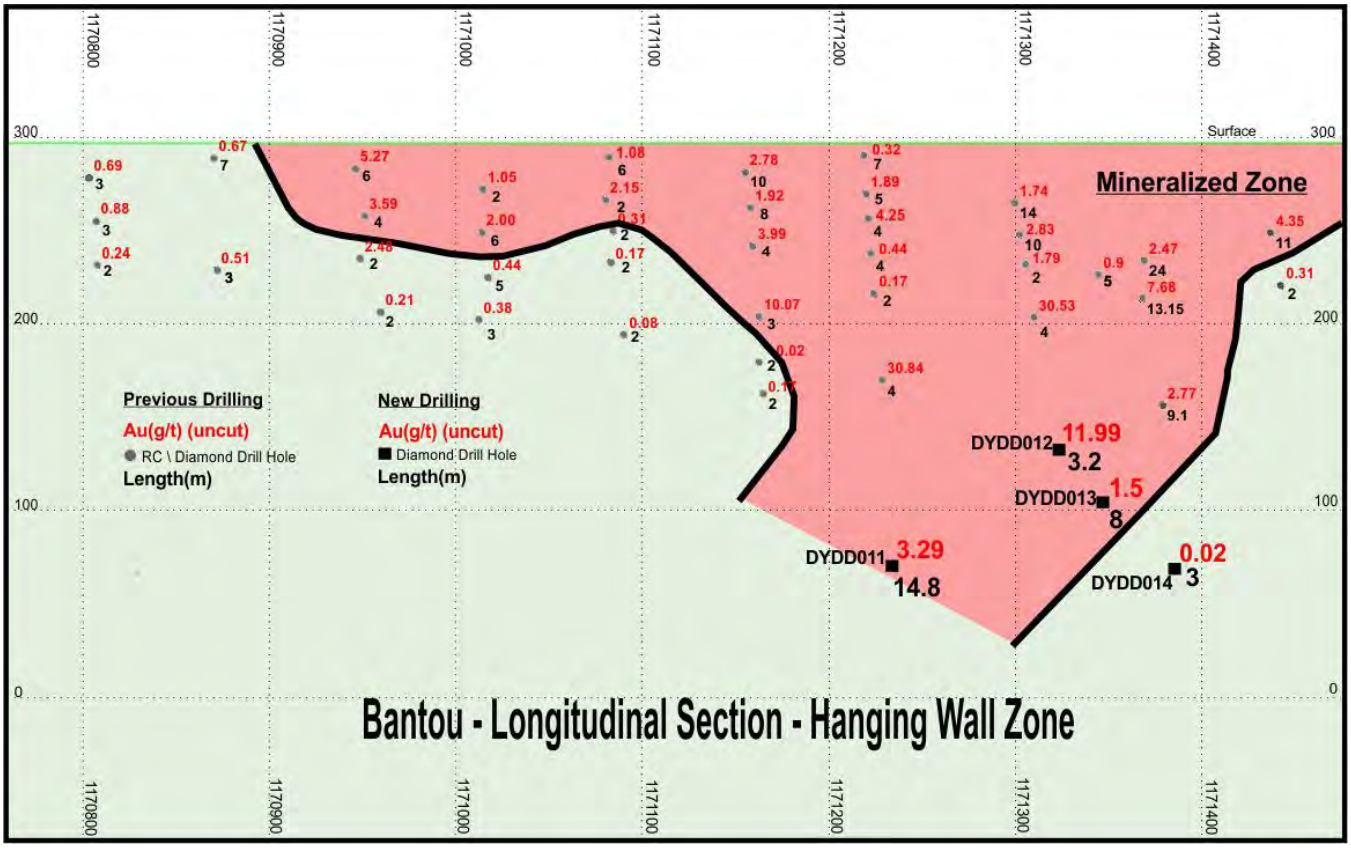
The third quarter drill program follows up on results from RC and diamond drill programs previously carried out by Orbis. Under the Orbis program, a total of 8,740 meters of drilling was completed in 75 holes on the property. The data set is currently being compiled and evaluated in order to establish the property's potential. The Dynikongolo permit is located in the South Houndé area, approximately 150 kilometers southwest of the Mana Mine.

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

Exploration (continued)

Kongolokoro (Houndé Greenstone Belt) (continued)

Figure 2 - Longitudional Section of Hangingwall Zone of Bantou Mineralization



Korhogo Ouest, Côte d'Ivoire

Following an initial soil sampling and airborne magnetic survey covering the northern part of the property in late 2016 and early 2017, trenching and RC drill programs were initiated. Trenching was completed in the second quarter of 2017, while the RC program commenced in July. The program was designed to provide a preliminary test of some soil sample anomalies. At the end of the third quarter of 2017, a total of 116 RC holes (over 12,200 meters) had been drilled.

Trenching Program

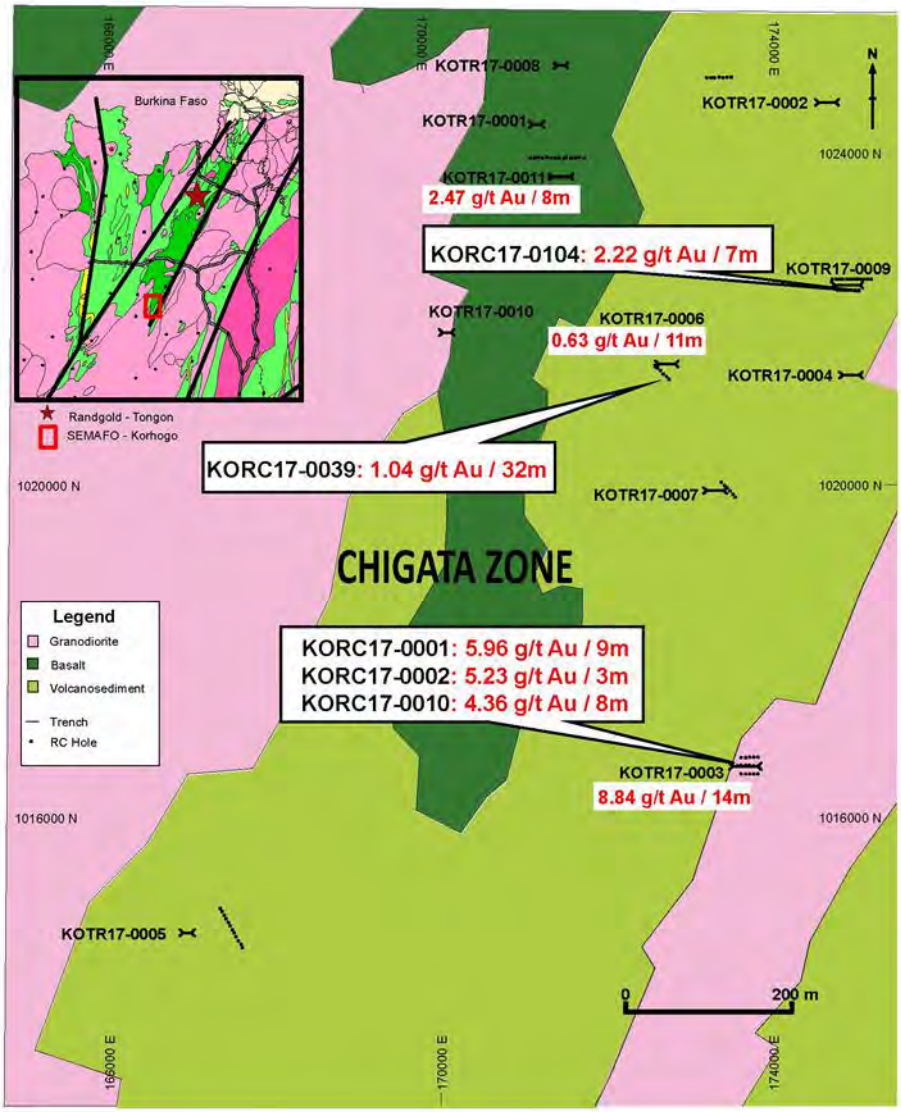
Of the 11 trenches completed, seven returned anomalous gold values (see Figure 3). Among these, KOTR17-0003 returned a grade of 8.84 g/t Au (11.46 g/t Au uncut) over 14 meters, including 19.55 g/t Au (25.68 g/t Au uncut) over 6 meters along the south wall of the trench. The north wall of the two-meter wide trench was immediately resampled in order to confirm results and returned 9.19 g/t Au (9.52 g/t Au uncut) over 13 meters. The mineralized zone (dubbed Chigata) is hosted in a moderately east-dipping sheared and sericitized granodiorite containing quartz veining. In addition, KOTR17-006 returned 0.63 g/t Au over 11 meters, KOTR17-0007 returned 0.75 g/t Au over 7 meters, and KOTR17-0011 returned 2.47 g/t Au over 8 meters. These four trenches are spread over an area of 7 kilometers by 5 kilometers, and each tested separate soil sample anomalies.

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

Exploration (continued)

Korhogo Ouest, Côte d'Ivoire (continued)

Figure 3 - Location of Korhogo Trenching and RC Drill Highlights



RC Drill Program

RC drilling was carried out to provide a first indication of the potential of these zones. At Chigata, three sections were completed over KOTR17-0003 and 100 meters on each side of the trench. Significant gold values were obtained from four holes (Table 1), two under the trench (Figure 4), one 100 meters north of the trench (Figure 3) and one 250 meters south of the trench (Figure 3). Anomalous values were obtained in all 12 holes that crossed the altered and sheared zone.

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

Exploration (continued)

Korhogo Ouest, Côte d'Ivoire (continued)

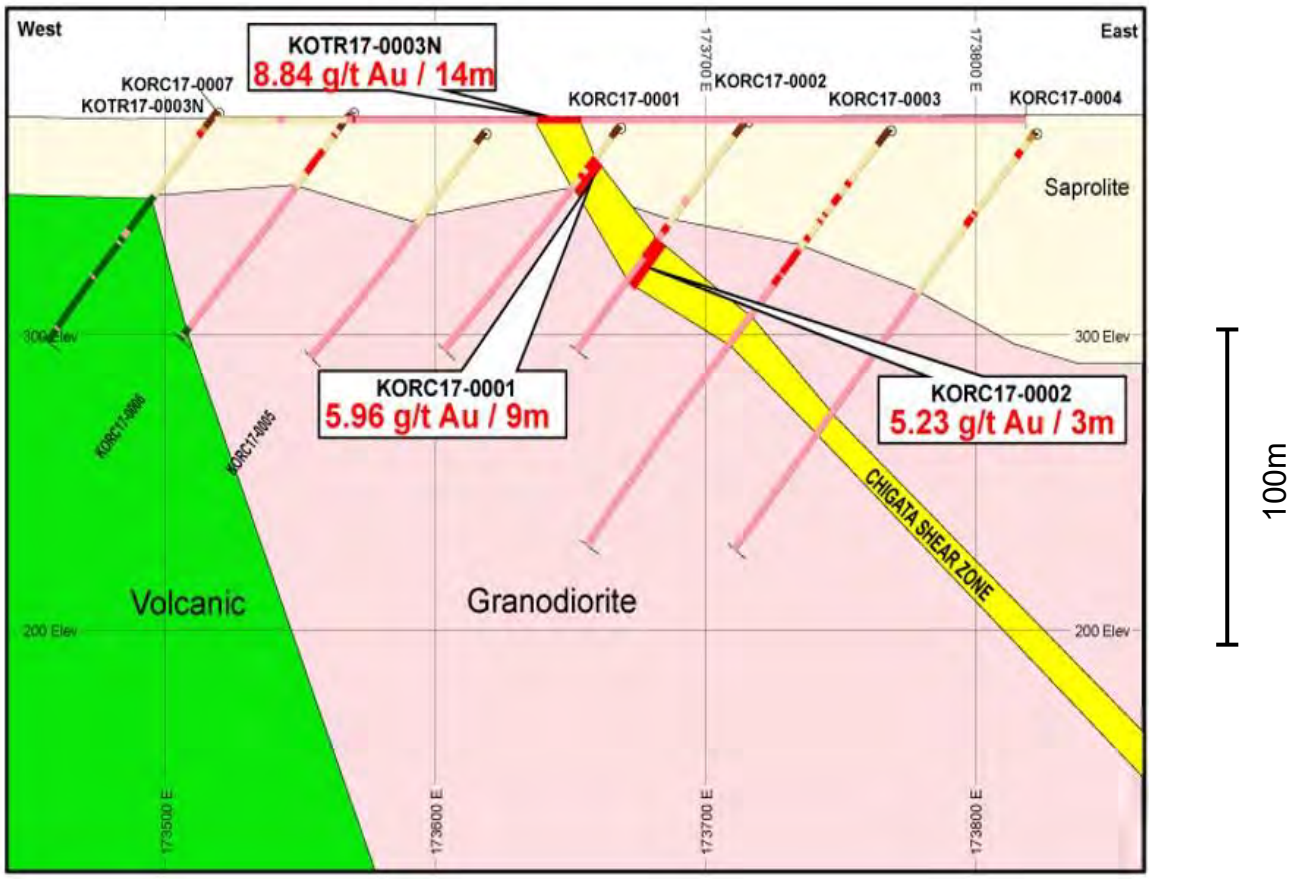
Table 1

Hole No.	From (m)	To (m)	Length (m)[1]	Au (g/t)[2]
KORC17-0001	15	24	9.0	5.96
KORC17-0002	57	60	3.0	5.23
KORC17-0010	101	109	8.0	4.36
KORC17-0104	21	28	7.0	2.22

[1] All lengths are along the hole axis, and the true thickness has yet to be established.

[2] All assay results are below the cutting grade of 30 g/t Au

Figure 4 - Chigata Zone



Assay results from one section below trench KOTR17-0006 (Figure 3) also returned significant gold values. Hole KORC17-0039 (Figure 3) returned an average grade of 1.04 g/t Au over 32 meters, including 1.84 g/t Au over 5 meters and 2.39 g/t Au over 3 meters. The mineralized zone consists of a shear zone affecting volcanic and sedimentary rocks, located approximately five kilometers north of the Chigata Zone.

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

Corporate Social Responsibility

For the three-month and nine-month periods ended September 30, 2017, corporate social responsibility expenses, representing contributions made to SEMAFO Foundation, totalled $302,000 and $766,000, respectively (2016: $247,000 and $562,000, respectively).

In the third quarter, SEMAFO Foundation maintained its focus on the educational sector through ongoing construction of three new schools and preparation of 13,000 school kits for children in the Boucle du Mouhoun region. Following an increase of interest in sesame farming, the Foundation launched sesame field schools where new producers can observe and compare traditional to "best practice" plots over the course of an entire cropping season. In the quarter, the Foundation donated a tricycle to the chicken farming project in order to facilitate deliveries and assisted shea butter producers with their organic certification process.

In parallel to SEMAFO Foundation's initiatives, the Mana Mine's environmental department continued with the 2017 reforestation program initiative.

In the Est region close to the Boungou Mine, the Foundation continued to oversee construction of a primary school in the village of Boungou and to develop targeted training courses in order to help local community members update their skills and secure employment. During the quarter, residents of Boungou and two nearby villages were trained in the use and upkeep of their new ecological latrines. After successfully training up a group of mechanics, the Foundation began recruiting candidates for a course in welding and electrics. Several small firsts were achieved in the period by the revenue-generating projects under the Foundation's guidance: In the quarter, the sewing center completed delivery of work clothes for Boungou Mine employees and is now in negotiation for a first third-party contract. In addition, in compliance with organic production standards, organic sesame producers initiated GPS positioning in their fields with which to ensure product traceability.

Construction of the resettlement village of Boungou was completed in the quarter with village residents relocating to their 448 new homes in early October. A total of 2,105 hours of training was dispensed to Boungou employees in the third quarter.

Corporate and Other

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
(in thousands)	**$**	$	**$**	$
Depreciation of property, plant and equipment	**90**	66	**270**	197
General and administrative	**2,767**	2,306	**8,426**	8,329
Share-based compensation	**1,997**	(576)	**2,121**	8,229
Segment operating loss	**(4,854)**	(1,796)	**(10,817)**	(16,755)

Share-based Compensation

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
(in thousands)	**$**	$	**$**	$
Restricted Share Unit	**1,690**	(252)	**1,857**	6,934
Deferred Share Unit	**241**	(336)	**206**	1,179
Performance Share Unit	**66**	12	**58**	116
	1,997	(576)	**2,121**	8,229

For the three-month period ended September 30, 2017, our share-based compensation expense amounted to $1,997,000 (2016: recovery of $576,000). The expense of $1,997,000 included a $919,000 expense (2016: $989,000) for outstanding units and an expense of $1,078,000 (2016: recovery of $1,565,000) due to the increase in our share price.

For the nine-month period ended September 30, 2017, our share-based compensation expense amounted to $2,121,000 (2016: $8,229,000). The $2,121,000 expense included a $3,146,000 expense (2016: $3,074,000) for outstanding units and a recovery of $1,025,000 (2016: $5,155,000) due to the increase in our share price.

Please refer to note 15 of the financial statements for more details.

6. Other Elements of the Statement of Income

Foreign Exchange (Gain) loss

For the three-month period ended September 30, 2017, the foreign exchange gain amounted to $2,779,000 due to the revaluation of our monetary assets denominated in foreign currencies following the weakening of the US dollar as at September 30, 2017 compared to June 30, 2017.

For the nine-month period ended September 30, 2017, the foreign exchange gain amounted to $9,711,000 due to the revaluation of our monetary assets denominated in foreign currencies following the weakening of the US dollar as at September 30, 2017 compared to December 31, 2016.

Income Tax Expense

The decrease in income tax expense is due to the weakening of the US dollar at the end of the third quarter of 2017 whereas the US dollar strengthened in 2016. At the close of the third quarter of 2017, 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 recovery of $2,077,000 for the third quarter of 2017, compared to $1,069,000 for the same period in 2016. 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. In addition, a decrease in taxable income at the Mana Mine compared to the same period in 2016 reduced the income tax expense.

The decrease in income tax expense is due to the weakening of the US dollar at the end of the third quarter of 2017 whereas the US dollar strengthened in 2016. At the close of the third quarter of 2017, 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 recovery of $6,472,000 for the first nine months of 2017, compared to $1,727,000 for the same period in 2016. 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. In addition, a decrease in taxable income at the Mana Mine compared to the same period in 2016 reduced the income tax expense.

Income Attributable to Non-Controlling Interest

For the three-month and nine-month periods ended September 30, 2017, the income attributable to the non-controlling interest, which is the Government of Burkina Faso and represents 10% in SEMAFO Burkina Faso S.A., was $1,583,000 and $2,384,000 respectively (2016: $1,879,000 and $6,160,000 respectively).

7. Other Comprehensive Income

For the three-month and nine-month periods September 30, 2017, other comprehensive income amounted to $60,000 and $399,000 respectively (2016: $1,046,000 and $1,046,000), which related to the variation in fair value of our investment in GoviEx Uranium Inc. ("GoviEx").

8. Cash Flows

The following table summarizes our cash flow activities:

(in thousands)	Three-month period ended September 30, 2017 $	Three-month period ended September 30, 2016 $	Nine-month period ended September 30, 2017 $	Nine-month period ended September 30, 2016 $
Cash flows				
Operations	**34,853**	39,266	**81,614**	111,860
Working capital items	**(3,096)**	8,052	**(11,690)**	11,239
Operating activities	**31,757**	47,318	**69,924**	123,099
Financing activities	**(4,029)**	3,322	**55,877**	51,347
Investing activities	**(57,797)**	(22,630)	**(153,970)**	(62,570)
Effect of exchange rate changes on cash and cash equivalents	**3,533**	159	**11,158**	3,197
Change in cash and cash equivalents during the period	**(26,536)**	28,169	**(17,011)**	115,073
Cash and cash equivalents – beginning of the period	**283,297**	254,070	**273,772**	167,166
Cash and cash equivalents – end of the period	**256,761**	282,239	**256,761**	282,239

Operating

Third Quarter 2017 v. Third Quarter 2016

For the three-month period ended September 30, 2017, operating activities, before working capital items, generated cash flows of $34,853,000 compared to $39,266,000 in the same period in 2016 mainly due to lower operating income. Working capital items required liquidities of $3,096,000 in the third quarter of 2017, mainly due to higher inventories and lower income tax payable partially offset by lower trade and other receivables. In the third quarter of 2016, liquidities of $8,052,000 were generated.

First Nine Months of 2017 v. First Nine Months of 2016

For the nine-month period ended September 30, 2017, operating activities, before working capital items, generated cash flows of $81,614,000 compared to $111,860,000 in the same period in 2016 mainly due to lower operating income. Working capital items required liquidities of $11,690,000 for 2017 compared to $11,239,000 liquidity generated in the same period in 2016, mainly due to lower income tax payable and higher trade and other receivables partially offset by higher trade payables and accrued liabilities.

Further details regarding the changes in non-cash working capital items are provided in note 20 a) of the financial statements.

8. Cash Flows (continued)

Financing

Third Quarter 2017 v. Third Quarter 2016

For the three-month period ended September 30, 2017, cash flow required in financing activities amounted to $4,029,000, while $3,322,000 was provided for the same period in 2016.

Equipment Financing

In May 2016, we purchased equipment, a portion of which was financed by the supplier for an amount of $930,000 ("Equipment Financing"). For the three-month period ended September 30, 2017, we reimbursed $76,000 on the Equipment Financing.

Finance Lease

In July 2017, we entered into a mining services agreement ("Mining Agreement") with African Mining Service Burkina Faso SARL ("AMS") for the Boungou Mine. It was determined that based on the substance of the Mining Agreement at the inception date, it contained finance leases with respect to the mining fleet. For the three-month period ended September 30, 2017, we reimbursed $4,003,000 on the finance lease. For more information on the finance lease, refer to note 10 of our financial statements.

Proceeds on Issuance of Share Capital from the Exercise of Options

A total of 50,000 options were exercised during the three-month period ended September 30, 2017 for a cash consideration of $50,000. For the same period in 2016, a total of 1,084,000 options were exercised for a cash consideration of $3,374,000.

First Nine Months of 2017 v. First Nine Months of 2016

For the nine-month period ended September 30, 2017, cash flow provided by financing activities amounted to $55,877,000, while $51,347,000 was provided in 2016.

Credit Facility with Macquarie Bank Limited ("Credit Facility")

In the first nine months of 2017, we drew down the incremental $60,000,000 available under the Credit Facility. In the first nine months of 2016, we reimbursed $30,000,000 of the Credit Facility as per its repayment schedule. For more information on the long-term debt, refer to note 9 of our financial statements.

Equipment Financing

In May 2016, we purchased equipment, a portion of which was financed by the supplier for an amount of $930,000. For the nine-month period ended September 30, 2017, we reimbursed $231,000 on the Equipment Financing.

Finance Lease

For the nine-month period ended September 30, 2017, we reimbursed $4,003,000 on the finance lease under the Mining Agreement. For more information on the finance lease, refer to note 10 of our financial statements.

Proceeds on Issuance of Share Capital from the Exercise of Options

A total of 84,000 options were exercised during the nine-month period ended September 30, 2017 for a cash consideration of $111,000. For the same period in 2016, a total of 2,427,000 options were exercised for a cash consideration of $6,042,000.

Dividends

In 2017, in light of our ongoing investment in Burkina Faso, no dividend will be paid to the non-controlling interest, which is the Government of Burkina Faso and which owns 10% of SEMAFO Burkina Faso S.A. In the first nine months of 2016, a $10,359,000 dividend was paid.

8. Cash Flows (continued)

Financing (continued)

First Nine Months of 2017 v. First Nine Months of 2016 (continued)

Bought Deal Financing
On April 22, 2016, a syndicate of underwriters purchased, on a bought deal basis, 26,450,000 of our common shares, 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.

As at September 30, 2017, proceeds of our 2016 offering had been used as follows:

(in thousands)	Announced use of proceeds	Actual use of proceeds, September 30, 2017
	$	$
Exploration at Mana and Boungou	36,287	35,477
Flexibility at Boungou Mine	22,679	12,000
Working capital and general corporate purposes	27,009	20,450
	85,975	**67,927**

Investing

For the three-month and nine-month periods ended September 30, 2017, cash flow from investing activities amounted to $57,797,000 and $153,970,000, respectively, compared to $22,630,000 and $62,570,000, respectively, in the same period in 2016.

Acquisition of Property Plant and Equipment

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
(in thousands)	$	$	$	$
Sustaining capital	**1,902**	789	**7,810**	7,251
Stripping cost	**13,558**	9,841	**35,603**	27,172
Subtotal sustaining capital expenditures	**15,460**	10,630	**43,413**	34,423
Exploration expenditure	**5,816**	4,488	**20,451**	14,138
Construction - Boungou Mine a)	**44,141**	3,358	**96,300**	7,668
Finance lease paid including construction costs	**(4,003)**	—	**(4,003)**	—
Capitalized borrowing costs	**1,783**	787	**3,636**	2,976
Development of Wona	**—**	1,011	**—**	1,011
Feasibility study - Natougou Project	**—**	—	**—**	1,158
	63,197	20,274	**159,797**	61,374
Variation in unpaid acquisitions of property, plant and equipment	**(5,177)**	2,566	**(20,681)**	1,406
Total	**58,020**	22,840	**139,116**	62,780

a) As at September 30, 2017, construction of the Boungou Mine had advanced as follows:

	Construction - Boungou Mine
	$
As at December 31, 2016	16,856
Additions	96,300
As at September 30, 2017	**113,156**

8. Cash Flows (continued)

Investing (continued)

Restricted Cash

In 2013, we made a special compensation arrangement with the former President and Chief Executive Officer. The special compensation required the issuance of a letter of credit, for which cash was restricted. For the three-month and nine-month periods nine-month period ended September 30, 2017, our restricted cash decreased by $223,000 as per the terms of the special compensation arrangement.

For the nine-month period ended September 30, 2017, we deposited $15,000,000 related to the drawdown of the Credit Facility (2016: nil). Please refer to note 9 of our financial statements for more details. In addition, $77,000 was restricted for general corporate purposes (2016: nil).

9. Financial Instruments

The nature and extent of risks arising from financial instruments are described in note 12 of our annual audited consolidated financial statements.

10. 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 2016 annual audited consolidated financial statements.

11. New Accounting Standards Issued but not yet in Effect

The new accounting standards issued but not yet in effect are disclosed in note 4 of our 2016 annual audited consolidated financial statements.

12. Financial Position

As at September 30, 2017, we held $256,761,000 in cash and cash equivalents. With our existing cash balance and our forecasted cash flows from operations, we are well positioned to fund all of our cash requirements for 2017 and 2018, which relate primarily to the following activities:

- Construction of the Boungou Mine
- Exploration programs
- Capital expenditures at Mana

(in thousands)	As at September 30, 2017 $	As at December 31, 2016 $
Total current assets	**334,551**	344,621
Property, plant and equipment	**656,135**	536,237
Other non-current assets	**27,084**	14,418
Total assets	**1,017,770**	895,276
Current liabilities	**80,760**	57,602
Non-current liabilities	**180,146**	102,091
Total liabilities	**260,906**	159,693
Equity attributable to equity shareholders	**726,925**	708,028
Non-controlling interest	**29,939**	27,555

As at September 30, 2017, our total assets amounted to $1,017,770,000 compared to $895,276,000 as at December 31, 2016. Our total assets increased as a result of the acquisition of property plant and equipment related to the construction of the Boungou Mine.

As at September 30, 2017, our liabilities totaled $260,906,000 compared to $159,693,000 as at December 31, 2016. The increase is due to the drawdown of the Credit Facility and the finance lease under the recently signed Mining Agreement.

13. 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 September 30, 2017 was $10,756,000 (December 31, 2016: $7,650,000).

Government Royalties
In Burkina Faso, all shipments at 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 at gold spot prices between $1,000 and $1,300 per ounce, and a 5% royalty rate is applied to all shipments at a gold spot price greater than $1,300 per ounce.

For the three-month and nine-month periods ended September 30, 2017, we were subject to royalty rates of 4% and 5% (2016: 4% and 5%), which was calculated using the retail market value of gold ounces sold at the time of shipment. For the three-month and nine-month periods ended September 30, 2017, government royalties amounting to $3,011,000 and $8,092,000 respectively (2016: $4,028,000 and $10,185,000 respectively) were paid to the Government of Burkina Faso.

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

Purchase Obligations
As at September 30, 2017, purchase commitments totaled $61,875,000, of which $53,615,000 related to the Boungou Mine.

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 September 30, 2017, we were in compliance in all material respects with the obligations related to the ownership of our material permits.

Contractual obligations
In the normal course of business, the Corporation entered into a service contract that commits it to minimum payments totaling $25,052,000 for the following three years, $10,366,000 of which within 12 months.

14. 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.

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 certain costs are incurred in other currencies. Also, we hold cash and cash equivalents that are denominated in non-US dollars which are subject to currency risk. The appreciation of non-US dollar currencies against the US dollar can increase the cost of exploration and production in US dollar terms, while the depreciation of our non-US dollar cash and cash equivalents can impact our balance sheet, either of which could materially adversely affect our financial condition and results of operation.

Interest Rate Fluctuations

As a borrower of long-term debt, 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.

14. Risks and Uncertainties (Continued)

Operational Risks (continued)

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

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

Boungou Mine Development

The development of the Boungou Mine requires the construction and operation of an open-pit mine, processing plants and related infrastructure. Construction began at the end of 2016 and, as a result, SEMAFO is, and will continue to be, subject to the risks associated with the establishment of a new mining operation. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which we rely in connection with the construction of the Boungou Mine, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay or failure in connection with the completion and successful operations of the Boungou Mine could delay or prevent the construction process and completion as planned. There can be no assurance that the current construction plan for the Boungou Mine will be successful.

The Natougou feasibility study contains estimates of future production, development plans, operating and capital costs, financial returns and other economic and technical estimates relating specifically to the Boungou Mine. These estimates are based on a diversity of factors and assumptions and there can be no assurance that such production, plans, costs or other estimates will be achieved.

In addition, while the feasibility study incorporates what we believe is an appropriate contingency factor in cost estimates to account for these uncertainties, there is no assurance that the contingency factor will be adequate.

Actual costs and financial returns may vary importantly from the estimates depending on factors outside our control. There can be no assurances that the development of the Boungou Mine and the ongoing operating costs associated with its development will not be significantly higher than anticipated. Any increase in costs or delay in the construction of the Boungou Mine could materially adversely affect our financial condition and results of operations.

14. Risks and Uncertainties (continued)

Operational Risks (continued)

Integration of Acquired Business

From time to time, we evaluate potential acquisition opportunities to support and strengthen our business and asset base. In 2015, we acquired Orbis Gold Limited ("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 deposit of Siou. 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 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. 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.

14. 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. These licenses and permits, however, are subject to change in various circumstances including as a result of a change in the interpretation of applicable laws or with respect to the exercise of a discretionary power. 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 operation.

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 the 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. Any such activity may disrupt our operations, limit our ability to hire and keep qualified personnel as well as restrict our access to capital.

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.

14. 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. Labour disruptions 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. 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.

Mining production 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 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 for our 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.

14. 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.

Cybersecurity threats

Our operations depend, in part, on how well we and our suppliers protect networks, technology systems and softwares against damage from a number of threats, including viruses, security breaches and cyber-attacks. Cyber security include attempts to gain unauthorized access to data or automated network systems and the manipulation or improper use of information technology systems. The failure of any part of our information technology systems could, depending on the nature of any such failure, materially adversely impact our reputation, financial condition and results of operations. Although we have not to date experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that we will not incur such losses in the future. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any system vulnerabilities.

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.

15. Information on Outstanding Shares

As at November 7, 2017, our share capital comprised 324,923,700 common shares issued and outstanding.

We have two stock option plans for our employees, officers, consultants and directors and those of our subsidiaries: the Share Option Plan ("Original Plan") and the 2010 Share Option Plan ("2010 Plan"). Since the adoption of the 2010 Plan by our shareholders at the 2010 Annual General and Special Shareholders' Meeting, no 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 November 7, 2017, stock options allowing its holders to purchase 2,209,598 common shares were outstanding.

16. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

Our disclosure controls and procedures (''DC&P'') are designed to provide reasonable assurance that information required to be disclosed in the annual filings, interim filings or other reports filed under securities legislation is recorded, processed, summarized and reported within the same time periods specified by those laws and include controls and procedures designed to ensure that material information required to be disclosed is accumulated and communicated to management, including the President and Chief Executive Officer (''CEO'') and Chief Financial Officer (''CFO''), our certifying officers, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Our internal control over financial reporting (''ICFR'') is designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with IFRS. Under the supervision of the CEO and CFO, management is responsible for establishing and maintaining effective internal control over financial reporting.

There have been no changes in our ICFR during the three-month period ended September 30, 2017 which have materially affected, or are reasonably likely to materially affect our ICFR.

Limitations of DC&P and ICFR

All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the information required to be disclosed, financial statement preparation and presentation.

17. Quarterly Information

	2017			2016				2015
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
(in thousands of dollars, except for amounts per share)								
Results								
Revenues – Gold sales	69,832	59,315	66,886	69,137	80,200	76,590	74,556	72,475
Operating income (loss)	11,819	(755)	(1,785)	4,806	23,016	14,428	17,836	12,549
Net income (loss)	13,807	9,348	(2,384)	(4,061)	19,559	7,078	18,691	1,796
Attributable to:								
- Equity shareholders	12,224	8,854	(2,691)	(4,949)	17,680	5,304	16,184	476
- Non-controlling interest	1,583	494	307	888	1,879	1,774	2,507	1,320
Basic earnings (loss) per share	0.04	0.03	(0.01)	(0.02)	0.05	0.02	0.05	—
Diluted earnings (loss) per share	0.04	0.03	(0.01)	(0.02)	0.05	0.02	0.05	—
Cash flows from operating activities[1]	34,853	23,614	23,147	30,362	39,266	37,390	35,204	39,430
MANA								
Operating data								
Ore mined (tonnes)	516,700	503,200	479,400	555,700	555,200	564,500	500,300	559,500
Ore processed (tonnes)	679,100	675,500	731,800	714,200	751,700	604,500	682,900	642,600
Head grade (g/t)	2.55	2.31	2.55	2.52	2.71	3.33	3.04	3.13
Recovery (%)	97	95	92	95	95	95	92	89
Gold ounces produced	53,900	47,600	55,400	55,100	62,500	61,300	61,300	57,500
Gold ounces sold	54,500	46,900	54,700	57,100	60,000	60,700	62,800	65,500
Statistics (in dollars)								
Average selling price (per ounce)	1,282	1,265	1,223	1,211	1,337	1,262	1,187	1,106
Cash operating cost (per tonne processed)[2]	42	43	52	40	41	49	42	42
Total cash cost (per ounce sold)[2]	557	703	699	571	574	547	505	493
All-in sustaining cost (per ounce sold)[2]	841	1,074	892	694	751	742	695	719
Depreciation (per ounce sold)[3]	401	527	460	364	330	331	275	331

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

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 performance measures" section of this MD&A, note 18.

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

18. Non-IFRS Financial Performance Measures

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

Cash Operating Cost

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

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
Per tonne processed				
Tonnes of ore processed	679,100	751,700	2,086,400	2,039,100
(in thousands of dollars except per tonne)				
Mining operation expenses (relating to ounces sold)	30,340	34,438	101,559	99,388
Government royalties and selling expenses	(3,163)	(4,202)	(8,511)	(10,753)
Effects of inventory adjustments (doré bars and gold in circuit)	1,515	729	2,551	944
Operating costs (relating to tonnes processed)	28,692	30,965	95,599	89,579
Cash operating cost (per tonne processed)	**42**	41	**46**	44

Total Cash Cost

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
Per ounce sold				
Gold ounce sold	54,500	60,000	156,100	183,500
(in thousands of dollars except per ounce)				
Mining operation expenses	30,340	34,438	101,559	99,388
Total cash cost (per ounce sold)	**557**	574	**651**	542

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 September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
Per ounce sold				
Gold ounce sold	54,500	60,000	156,100	183,500
(in thousands of dollars except per ounce)				
Sustaining capital expenditure	15,460	10,630	43,413	34,423
Sustaining capital expenditure (per ounce sold)	284	177	278	188
Total cash cost (per ounce sold)	557	574	651	542
All-in sustaining cost (per ounce sold)	**841**	751	**929**	730

18. Non-IFRS Financial Performance Measures (continued)

Operating Cash Flows per Share

(in thousands except per share)	Three-month period ended September 30, 2017	Three-month period ended September 30, 2016	Nine-month period ended September 30, 2017	Nine-month period ended September 30, 2016
Cash flows from operating activities[1]	34,853	39,266	81,614	111,860
Weighted average number of outstanding common shares - basic	324,899	324,580	324,874	312,084
Operating cash flows per share	**0.11**	0.12	**0.25**	0.36

Adjusted Accounting Measures

(in thousands of dollars except per share)	Three-month period ended September 30, 2017	Three-month period ended September 30, 2016	Nine-month period ended September 30, 2017	Nine-month period ended September 30, 2016
Net income attributable to equity shareholders as per IFRS	12,224	17,680	18,387	39,168
Foreign exchange gain	(2,779)	(191)	(9,711)	(2,386)
Tax effect of currency translation on tax base	(2,077)	(1,069)	(6,472)	(1,727)
Share-based compensation expense (recovery) related to change in the fair value of the share price	1,078	(1,565)	(1,025)	5,155
Adjusted net income attributable to equity shareholders	**8,446**	14,855	**1,179**	40,210
Weighted average number of outstanding shares	324,899	324,580	324,874	312,084
Adjusted basic earnings per share	**0.03**	0.05	**—**	0.13

(in thousands)	Three-month period ended September 30, 2017 $	Three-month period ended September 30, 2016 $	Nine-month period ended September 30, 2017 $	Nine-month period ended September 30, 2016 $
Operating income as per IFRS	11,819	23,016	9,279	55,280
Share-based compensation expense (recovery) related to change in the fair value of the share price	1,078	(1,565)	(1,025)	5,155
Adjusted operating income	**12,897**	21,451	**8,254**	60,435

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

19. Additional Information and Continuous Disclosure

This MD&A has been prepared as of November 7, 2017. 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.

20. Forward-Looking Statements

This MD&A contains forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and accordingly, actual results and future events could differ materially from those expressed or implied in such statements. You are hence cautioned not to place undue reliance on forward-looking statements. These forward-looking statements include statements regarding our expectations as to the market price of gold, production targets, timetables, mining operation expenses, capital expenditures and mineral reserves and resources estimates. Forward-looking statements include words or expressions such as "targeting", "pursuing", "growth", "opportunities", "outlook", "strategy", "expect", "estimated", "scheduled", "continues", "on time and on budget", "underway", "will", "in progress", "with the aim of", "planned", "in order to", "objective", "suggesting", "designed to", "forecasted" 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 execute on our strategic focus, the ability to meet our 2017 outlook of between 190,000 and 205,000 ounces of gold and to meet an all-in sustaining cost of between $920 and $960 per ounce, Natougou's ability to produce over 226,000 ounces at a total cash cost of $283 per ounce and all-in sustaining cost of $374 per ounce during the first three years, the ability to achieve first gold pour at Boungou for the third quarter of 2018, the ability to develop Natougou on time and on budget, the ability to deliver a pre-feasibility study for Siou at-depth in the first quarter of 2018, the ability of our core drill program at Yactibo to test the extension of the mineralized veins at depth, the accuracy of our assumptions, fluctuation in the price of currencies, gold prices and operating costs, mining industry risks, uncertainty as to calculation of mineral reserves and resources, delays, political and social stability in Africa (including our ability to maintain or renew licenses and permits) and other risks described in SEMAFO's documents filed 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 and available at www.sedar.com. These 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.

Tower mill- Boungou Mine as of October 2017

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

Geology team member at Siou pit

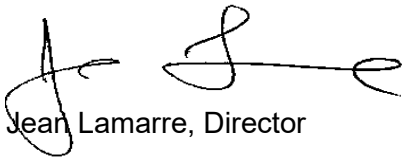
Interim Consolidated Statement of Financial Position

(Expressed in thousands of US dollars – unaudited)

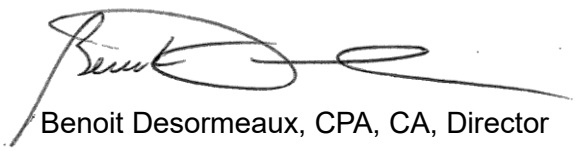
	As at September 30, 2017 $	As at December 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents (Note 4)	256,761	273,772
Trade and other receivables (note 5)	19,385	16,945
Income tax receivable	229	—
Inventories (note 6)	53,601	51,391
Other current assets	4,575	2,513
	334,551	344,621
Non-current assets		
Advance receivable	2,981	3,060
Restricted cash (note 4)	21,182	5,689
Property, plant and equipment (note 7)	656,135	536,237
Intangible asset	1,427	1,595
Other non-current assets (note 8)	1,494	4,074
	683,219	550,655
Total assets	1,017,770	895,276
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	66,711	41,964
Current portion of long-term debt (note 9)	310	310
Current portion of finance lease (note 10)	4,622	—
Share unit plans liabilities (note 15)	5,879	6,635
Provisions (note 11)	3,238	3,271
Income tax payable	—	5,422
	80,760	57,602
Non-current liabilities		
Long-term debt (note 9)	114,745	56,726
Finance Lease (note 10)	20,214	—
Share unit plans liabilities (note 15)	2,558	4,899
Provisions (note 11)	11,127	8,137
Deferred income tax liabilities	31,502	32,329
	180,146	102,091
Total liabilities	260,906	159,693
Equity		
Equity Shareholders		
Share capital	622,065	621,902
Contributed surplus	7,305	7,357
Accumulated other comprehensive income	1,494	1,095
Retained earnings	96,061	77,674
	726,925	708,028
Non-controlling interest	29,939	27,555
Total equity	756,864	735,583
Total liabilities and equity	1,017,770	895,276

Financial commitments and contingencies (note 19)

Approved by the Board of Directors,



Jean Lamarre, Director



Benoit Desormeaux, CPA, CA, Director

Interim Consolidated Statement of Income

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

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Revenue – Gold sales	69,832	80,200	196,033	231,346
Costs of operations				
Mining operation expenses (note 13)	30,340	34,438	101,559	99,388
Depreciation of property, plant and equipment	21,921	19,880	71,984	57,384
General and administrative (note 14)	3,453	3,195	10,324	10,503
Corporate social responsibility expenses	302	247	766	562
Share-based compensation (note 15)	1,997	(576)	2,121	8,229
Operating income	11,819	23,016	9,279	55,280
Other expenses (income)				
Finance income	(952)	(519)	(2,488)	(1,465)
Finance costs (note 16)	336	314	981	1,678
Foreign exchange gain	(2,779)	(191)	(9,711)	(2,386)
Income before income taxes	15,214	23,412	20,497	57,453
Income tax expense (recovery)				
Current (note 17)	1,331	3,521	3,566	14,086
Deferred (note 17)	76	332	(3,840)	(1,961)
	1,407	3,853	(274)	12,125
Net income for the period	13,807	19,559	20,771	45,328
Attributable to:				
Equity shareholders	12,224	17,680	18,387	39,168
Non-controlling interest	1,583	1,879	2,384	6,160
	13,807	19,559	20,771	45,328
Earnings per share (note 18)				
Basic	0.04	0.05	0.06	0.13
Diluted	0.04	0.05	0.06	0.13

Interim Consolidated Statement of Comprehensive Income

(Expressed in thousands of US dollars – unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Net income for the period	13,807	19,559	20,771	45,328
Other comprehensive income				
Item that may be classified to net income				
Change in fair value of the investment in GoviEx (net of tax of nil) (note12)	60	1,046	399	1,046
Total comprehensive income for the period, net of tax	13,867	20,605	21,170	46,374
Attributable to:				
Equity shareholders	12,284	18,726	18,786	40,214
Non-controlling interest	1,583	1,879	2,384	6,160
	13,867	20,605	21,170	46,374

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	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interest	TOTAL EQUITY
	(in thousands)	$	$	$	$	$	$	$
Balance – January 1, 2016	294,321	516,070	10,685	—	48,242	574,997	30,866	605,863
Net income for the period	—	—	—	—	39,168	39,168	6,160	45,328
Other comprehensive income for the period								
Changes in fair value of the investment in GoviEx (net of tax of nil)	—	—	—	1,046	—	1,046	—	1,046
Total income and comprehensive income for the period	**—**	**—**	**—**	**1,046**	**39,168**	**40,214**	**6,160**	**46,374**
Shares issued from the exercise of options	2,427	9,370	(3,328)	—	—	6,042	—	6,042
Shares issued in public bought deal (net of share issued expenses of $4,787)	26,450	90,762	—	—	(4,787)	85,975	—	85,975
Shares issued in consideration of financing costs on amendments to credit facility with Macquarie	1,642	5,700	—	—	—	5,700	—	5,700
Dividend paid by a subsidiary to non-controlling interest	—	—	—	—	—	—	(10,359)	(10,359)
Balance – September 30, 2016	**324,840**	**621,902**	**7,357**	**1,046**	**82,623**	**712,928**	**26,667**	**739,595**
Balance – January 1, 2017	324,840	621,902	7,357	1,095	77,674	708,028	27,555	735,583
Net income for the period	—	—	—	—	18,387	18,387	2,384	20,771
Other comprehensive income for the period								
Changes in fair value of the investment in GoviEx (net of tax of nil) (note12)	—	—	—	399	—	399	—	399
Total income and comprehensive income for the period, net of tax	**—**	**—**	**—**	**399**	**18,387**	**18,786**	**2,384**	**21,170**
Shares issued from the exercise of options	84	163	(52)	—	—	111	—	111
Balance – September 30, 2017	**324,924**	**622,065**	**7,305**	**1,494**	**96,061**	**726,925**	**29,939**	**756,864**

[1] There were no common shares that were unpaid as at September 30, 2017 (September 30, 2016: nil).

Interim Consolidated Statement of Cash Flows

(Expressed in thousands of US dollars – unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Cash flows from (used in):				
Operating activities				
Net income for the period	13,807	19,559	20,771	45,328
Adjustments for:				
Depreciation of property, plant and equipment	21,921	19,880	71,984	57,384
Share-based compensation	1,997	(576)	2,121	8,229
Unrealized foreign exchange loss (gain)	(2,879)	172	(9,218)	(2,756)
Deferred income tax expense (recovery)	76	332	(3,840)	(1,961)
Adjustment for withholding taxes	—	—	—	5,827
Other	(69)	(101)	(204)	(191)
	34,853	39,266	81,614	111,860
Changes in non-cash working capital items (note 20 a)	(3,096)	8,052	(11,690)	11,239
Net cash provided by operating activities	31,757	47,318	69,924	123,099
Financing activities				
Drawdown (repayment) of long-term debt (note 9)	(76)	(52)	59,769	(30,052)
Payments of finance lease (note 10)	(4,003)	—	(4,003)	—
Long-term debt transaction costs	—	—	—	(259)
Proceeds on issuance of share capital, net of expenses	50	3,374	111	92,017
Dividend paid by a subsidiary to non-controlling interest	—	—	—	(10,359)
Net cash provided by (used in) financing activities	(4,029)	3,322	55,877	51,347
Investing activities				
Acquisition of property, plant and equipment (note 20 c)	(58,020)	(22,840)	(139,116)	(62,780)
Decrease (increase) in restricted cash (note 4)	223	210	(14,854)	210
Net cash used in investing activities	(57,797)	(22,630)	(153,970)	(62,570)
Effect of exchange rate changes on cash and cash equivalents	3,533	159	11,158	3,197
Change in cash and cash equivalents during the period	(26,536)	28,169	(17,011)	115,073
Cash and cash equivalents – beginning of period	283,297	254,070	273,772	167,166
Cash and cash equivalents – end of period	256,761	282,239	256,761	282,239
Interest paid	1,739	1,065	3,519	3,557
Interest received	770	419	1,902	1,273
Income tax paid	3,208	2,237	8,875	8,410

Supplementary information on non-cash items (note 20 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 Boulevard, 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 deposit of Siou, and is targeting production start-up of the Boungou Mine in the third quarter of 2018. 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 and maintain 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, 2016. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2016 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 November 7, 2017.

Significant Subsidiaries (Consolidated) – Ownership

	Country	September 30, 2017	December 31, 2016
SEMAFO Burkina Faso S.A.	Burkina Faso	90%	90%
SEMAFO Boungou S.A.	Burkina Faso	90%	90%
Birimian Resources S.A.R.L.	Burkina Faso	100%	100%
Mana Minéral S.A.R.L.	Burkina Faso	100%	100%
SEMAFO (Barbados) Ltd.	Barbados	100%	100%

3. Summary of Significant Accounting Policies

The following significant accounting policies complement those described in our annual audited consolidated financial statements for the period ended December 31, 2016.

Lease

Leases in which the Corporation assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized as Property, Plant and Equipment at the lower of the fair value and the present value of minimum lease payments at inception of the lease. All other leases are classified as operating leases. Operating lease payments are recognized as an operating cost in profit or loss on a straight-line basis over the lease term.

The most significant estimate in the assessment lies in the Corporation's calculation of the fair value of the minimum lease payments on an asset by asset basis and its comparison to the fair value of the assets at the inception of the lease to conclude whether all the risks and rewards incidental to ownership of the leased items were transferred to the Corporation as a lessee.

Property, Plant and Equipment

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the lease contract.

4. Cash and Cash Equivalents and Restricted Cash

	As at September 30, 2017 $	As at December 31, 2016 $
Cash and Cash equivalents	**256,761**	273,772
Restricted Cash	**21,182**	5,689
	277,943	279,461

The restricted cash mainly includes an amount of $15,000,000 relative to the deposit account for long-term debt with Macquarie (note 9) and an amount of $5,204,000 relative to asset retirement obligations.

5. Trade and Other Receivables

	As at September 30, 2017 $	As at December 31, 2016 $
Gold trade receivables	**633**	90
Other receivables	**17,871**	16,068
Current portion of the advance receivable	**881**	787
	19,385	16,945

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

Other receivables include VAT receivables totaling $16,340,000 as at September 30, 2017 (December 31, 2016: $14,905,000). They are non-interest bearing and are generally settled within one to twelve months.

For the three-month and nine-month periods ended September 30, 2017, there was no provision on VAT receivables (2016: nil and $637,000, respectively).

The Corporation holds no collateral for any receivable amounts outstanding as at September 30, 2017 (December 31, 2016: nil).

6. Inventories

	As at September 30, 2017 $	As at December 31, 2016 $
Doré bars	**—**	—
Gold in circuit	**13,162**	9,305
Stockpiles	**3,981**	6,475
Supplies and spare parts	**36,458**	35,611
	53,601	51,391

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

7. Property, Plant and Equipment

	Property, acquisition costs, deferred exploration and development costs	Exploration and evaluation assets (ii)	Mineral properties under develop-ment (iii)	Buildings and equipment related to mining production	Mining equipment (v)	Rolling stock, communi-cation and computer equipment	TOTAL
	$	$	$	$	$	$	$
Nine-month period ended September 30, 2017							
Opening net book amount	184,155	27,207	179,051	102,751	40,110	2,963	536,237
Additions	49,087	2,869	110,612	3,316	32,008	795	198,687
Retirement of assets	—	—	—	(514)	—	—	(514)
Depreciation charge	(55,360)	—	—	(10,782)	(11,574)	(559)	(78,275)
Closing net book amount	**177,882**	**30,076**	**289,663**	**94,771**	**60,544**	**3,199**	**656,135**
As at September 30, 2017							
Cost	488,960	30,076	289,663	200,280	115,995	11,899	1,136,873
Accumulated depreciation	(311,078)	—	—	(105,509)	(55,451)	(8,700)	(480,738)
Net book amount	**177,882**	**30,076**	**289,663**	**94,771**	**60,544**	**3,199**	**656,135**
Assets not subject to depreciation included in above (i)	—	30,076	289,663	1,243	6,140	133	327,255
Year ended December 31, 2016							
Opening net book amount	182,676	182,097	—	114,400	46,254	3,660	529,087
Additions	49,475	33,074	—	5,693	12,059	333	100,634
Reclassification	—	(179,051)	179,051	—	—	—	—
Retirement of assets	(213)	—	—	(895)	(2,893)	(31)	(4,032)
Impairment (iv)	—	(8,913)	—	—	—	—	(8,913)
Depreciation charge	(47,783)	—	—	(16,447)	(15,310)	(999)	(80,539)
Closing net book amount	184,155	27,207	179,051	102,751	40,110	2,963	536,237
As at December 31, 2016							
Cost	439,873	27,207	179,051	198,582	101,486	11,104	957,303
Accumulated depreciation	(255,718)	—	—	(95,831)	(61,376)	(8,141)	(421,066)
Net book amount	184,155	27,207	179,051	102,751	40,110	2,963	536,237
Assets not subject to depreciation included in above (i)	—	27,207	179,051	1,519	13,718	16	221,511

(i) Assets not subject to depreciation include critical spare parts not yet installed of $6,578,000 (December 31, 2016: $6,739,000) as well as assets under construction, in transit or exploration and evaluation assets of $320,677,000 (December 31, 2016: $214,772,000).

(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.

(iii) Mineral properties under development includes $129,193,000 from the acquisition of Orbis in 2015. The amount of borrowing costs capitalized for the three-month and nine-month periods ended September 30, 2017 represented $3,132,000 and 5,634,000, respectively (2016: $881,000 and $3,459,000, respectively).

(iv) During the year ended December 31, 2016, the Corporation recorded an impairment loss of $8,913,000 previously capitalized as "exploration and evaluation assets" within "property, plant and equipment". The Corporation has no plans to further develop the Banfora Zone as substantive expenditure on further exploration and evaluation of mineral resources in the Banfora Zone is neither budgeted nor planned.

(v) During the third quarter of 2017, the Corporation capitalized $28,839,000 as "mining equipment" related to finance lease (note 9).

8. Other Non-Current Assets

The other non-current assets include the investment in GoviEx Uranium Inc. ("GoviEx") amounting to $1,494,000 (December 31, 2016: $1,095,000) (note12).

On June 20, 2017, the financing fees amounting to $2,979,000 relating to the Credit Facility were reclassified to long-term debt (note 9).

9. Long-Term Debt

Long-term debt consists of the following:

	As at September 30, 2017 $	As at December 31, 2016 $
Credit facility (a)	**120,000**	60,000
Unamortized deferred transaction costs	**(5,515)**	(3,765)
Equipment financing (b)	**570**	801
Long-term debt, net of deferred transaction costs	**115,055**	57,036
Current portion	**310**	310
Non-current portion	**114,745**	56,726
	115,055	57,036

(a) Credit Facility with Macquarie

On June 20, 2017, the Corporation drew down the incremental $60,000,000 of the Credit Facility. The related financing fees of $2,979,000 capitalized in "other non-current assets" were reclassified as unamortized deferred transaction costs.

As at September 30, 2017, the Credit Facility amounted to $120,000,000 and bore interest at a rate equal to LIBOR plus 4.75% per annum, principal repayable in eight equal quarterly installments of $15,000,000, the first principal repayment starting March 31, 2019. The Credit Facility is secured by a pledge of all assets of SEMAFO Inc., which include SEMAFO (Barbados) Ltd. shares.

In connection with the drawdown on June 20, 2017, the Corporation is required to maintain an amount of $25,000,000 in a distinct account. This requirement will be lifted when the Corporation commences commercial production at the Boungou Mine and the Credit Facility amount has been lowered to $90,000,000. In addition, the Corporation is required to deposit $15,000,000 until the Credit Facility is less than or equal to $30,000,000; this amount was recorded as restricted cash (note 4).

The Credit Facility is subject to maintaining the minimum following consolidated covenants on a quarterly basis, until the date of commercial production at the Boungou Mine:

- Current Ratio of greater than 1.00:1.00
- Ratio of Forecast Cash Flow to Net Debt of not less than 1.50:1.00

As at September 30, 2017, all covenants were respected.

The Corporation may prepay amounts outstanding under the Credit Facility in whole or in part at any time, without penalty.

(b) Equipment financing

In May 2016, the Corporation purchased equipment, a portion of which was financed by the supplier for an initial amount of $930,000 ("Equipment financing"). The Equipment financing bears interest at a rate of 7,25% per annum. The interest and principal are payable in 36 monthly installments commencing in August 2016. As at September 30, 2017, the outstanding Equipment financing amounted to $570,000.

10. Finance Lease

In July, 2017, the Corporation entered into a mining services agreement ("Mining Agreement") with African Mining Service Burkina Faso SARL ("AMS") for the Boungou Mine. The Mining Agreement has an initial duration of five years and can be extended by the Corporation under the period, terms and conditions negotiated by both parties before the end of the contract.

The mining services provided by AMS include the extraction and haul of the ore and waste in a safe and efficient manner to ensure feed to the plant or designated stockpiles. AMS will also provide a skilled labor force and the equipment needed to perform the mining services. The Corporation remains responsible for the mining plan.

Based on the substance of the Mining Agreement at the inception date, it was determined that it contains finance leases with respect to the mining fleet. The Corporation recognized $28,839,000 as a finance lease asset and a corresponding amount as a finance lease obligation.

The implied finance costs on the liability were determined based on the Corporation's incremental borrowing rate which has been estimated at 7%.

Finance lease consists of the following:

	As at September 30, 2017 $	As at December 31, 2016 $
Opening balance	—	—
New debt obligations under finance lease	28,839	—
Mobilization payment	(2,896)	—
Payments	(1,107)	—
Finance Lease	**24,836**	**—**
Current portion	4,622	—
Non current portion	20,214	—
	24,836	**—**

The future minimum payments for the Corporation financial lease are as follows:

	Less than one year $	Between one year and five years $	Total
Minimum lease payment	4,622	20,214	24,836
Financial charges	1,592	2,786	4,378
	6,214	**23,000**	**29,214**

11. Provisions

	As at September 30, 2017 $	As at December 31, 2016 $
Current	**3,238**	3,271
Non-current	**11,127**	8,137
	14,365	11,408

	Asset retirement obligations $	Other $	Total $
As at January 1, 2016	6,676	6,983	13,659
Variation due to additional provisions, accretion expense, exchange rate and provision used during the period	974	147	1,121
Portion classified in "trade payables and accrued liabilities"	—	(964)	(964)
Reversal of provisions	—	(2,408)	(2,408)
As at December 31, 2016	7,650	3,758	11,408
Additional provisions	2,704	—	2,704
Variation due to accretion expense, exchange rate and provision used during the period	402	(149)	253
As at September 30, 2017	**10,756**	**3,609**	**14,365**

Asset Retirement Obligations

The liability for asset retirement obligations as at September 30, 2017 was $10,756,000 (December 31, 2016: $7,650,000). The estimated undiscounted value of this liability was $16,475,000 (December 31, 2016: $11,335,000). These disbursements are expected to be made during the years 2017 to 2030.

Other

a) Other provisions include a special compensation arrangement made with the former President and Chief Executive Officer, which amounted to $592,000 as at September 30, 2017 (December 31, 2016: $693,000).

b) Other provisions also include various tax exposures amounting to $3,017,000 as at September 30, 2017 (December 31, 2016: $3,065,000). From time to time, the Corporation is subject to a review of its income tax filings and other taxes and, in connection with such reviews, disputes can arise with the taxation authorities over the interpretation or application of certain rules to the Corporation's business conducted in a given country.

   In October 2016, the Corporation received a tax assessment from the Burkinabé tax authorities covering the years 2013 to 2015 totaling $8,174,000 (4,537,818,000 FCFA), which includes $1,465,000 (813,329,000 FCFA) in penalties and mainly covers withholding taxes. The Corporation is vigorously defending its positions and has initiated administrative procedures of revision.

   The inherent uncertainty regarding the outcome of these disputes means that the eventual resolution could differ from the accounting estimates and therefore impact the Corporation's financial position and results of operations.

12. 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, available-for-sale assets and financial liabilities at amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories as at September 30, 2017 and December 31, 2016.

	As at September 30, 2017 $	As at December 31, 2016 $
Financial assets		
Loans and receivables		
Cash and cash equivalents	**256,761**	273,772
Restricted cash	**21,182**	5,689
Gold trade receivables	**633**	90
Advance receivable	**3,862**	3,847
Other receivables (excluding VAT)	**1,531**	1,163
Available-for-sale assets		
Investment in GoviEx	**1,494**	1,095
	285,463	285,656
Financial liabilities		
Amortized cost		
Trade payables and other financial liabilities	**60,794**	38,295
Long-term debt	**115,055**	57,036
Finance Lease	**24,836**	—
	200,685	95,331

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. Finance leases are recognized at the lower of the fair value and the present value of minimum lease payments at inception of the lease.

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; and
- 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.

12. Financial Instruments (continued)

Advance receivable
The advance receivable is classified as a loan and receivable and it is measured at amortized cost using the effective interest rate method. As the information on fair value is disclosed for the advance receivable, it is classified as a Level 3 according to the Corporation's fair value hierarchy. 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 as part of "finance income". The fair value as at September 30, 2017 was $3,862,000 (December 31, 2016: $3,847,000) and was not significantly different from its carrying amount.

Investment in GoviEx
The investment in GoviEx, a publicly traded mineral resources company focused on the exploration and development of uranium properties in Africa, is classified as available-for-sale assets. Its fair value is a recurring measurement. On July 11, 2016, GoviEx transferred its listing from the Canadian Securities Exchange ("CSE") to the TSX Venture Exchange ("TSX-V") and concurrently, delisted from the CSE. On June 8, 2017, GoviEx began to be exchanged on the OTCQB Venture Market in the United States.

Prior to the delisting from the CSE, the GoviEx investment was classified as a Level 3 financial instrument according to its fair value hierarchy. Subsequent to its transfer to the TSX-V, the investment in GoviEx was transferred from the Level 3 to the Level 1 in the fair value hierarchy during the year ended December 31, 2016. In accordance with the Corporation's policy and using the last closing price observed on the TSX-V, the Corporation estimates the fair value of this available-for-sale investment to be $1,494,000 as at September 30, 2017 (December 31, 2016: $1,095,000).

There were no transfers between Level 1, Level 2 and Level 3 during the three-month period ended September 30, 2017.

13. Mining Operation Expenses

The following table details mining operation expenses by nature:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Operating and maintenance supplies and services	**22,005**	18,902	**65,406**	53,721
Fuel	**12,226**	10,570	**34,042**	31,426
Employee benefits expenses	**7,455**	6,919	**21,842**	21,833
Reagents	**2,849**	2,918	**8,289**	8,249
Inventory change	**(3,648)**	1,864	**(509)**	2,417
Less: Production expenses capitalized as stripping cost	**(13,558)**	(10,763)	**(35,603)**	(28,443)
Total Production costs	**27,329**	30,410	**93,467**	89,203
Government royalties	**3,011**	4,028	**8,092**	10,185
Mining Operation Expenses	**30,340**	34,438	**101,559**	99,388

14. General and Administrative

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Corporate expenses	**2,767**	2,306	**8,426**	8,329
Sites – Administrative	**686**	889	**1,898**	2,174
	3,453	3,195	**10,324**	10,503

15. Share-Based Compensation

The following table details the share unit plans liabilities:

	As at September 30, 2017 $	As at December 31, 2016 $
Current	**5,879**	6,635
Non-current	**2,558**	4,899
	8,437	11,534

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

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017 $	2016 $	2017 $	2016 $
Restricted Share Unit	**1,690**	(252)	**1,857**	6,934
Deferred Share Unit	**241**	(336)	**206**	1,179
Performance Share Unit	**66**	12	**58**	116
	1,997	(576)	**2,121**	8,229

The following table breaks down the share-based compensation expense related to the change in the fair value of share price and outstanding units:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017 $	2016 $	2017 $	2016 $
Expense related to outstanding units	**919**	989	**3,146**	3,074
Expense (recovery) related to change in the fair value of the share price	**1,078**	(1,565)	**(1,025)**	5,155
	1,997	(576)	**2,121**	8,229

16. Finance Costs

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017 $	2016 $	2017 $	2016 $
Accretion expense	**139**	125	**413**	377
Other	**197**	189	**568**	1,301
	336	314	**981**	1,678

17. 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 September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Income before income taxes	**15,214**	23,412	**20,497**	57,453
Canadian combined tax rate	**26.80%**	26.90%	**26.80%**	26.90%
Tax calculated at Canadian combined tax rate	**4,077**	6,298	**5,493**	15,455
Tax effects of:				
Difference in tax rate of foreign subsidiaries	**(1,423)**	(2,506)	**(1,611)**	(6,598)
Unrecorded tax benefits	**488**	(189)	**703**	2,512
Permanent differences	**(1,921)**	(137)	**(2,508)**	(225)
Adjustment in respect of prior years	**(49)**	—	**90**	41
Foreign exchange gain not materialized	**643**	270	**90**	85
Effect of currency translation on tax base	**(2,077)**	(1,069)	**(6,472)**	(1,727)
Other taxes included in income tax expense	**1,271**	855	**3,619**	2,281
Other	**398**	331	**322**	301
Income tax (recovery) expense	**1,407**	3,853	**(274)**	12,125

18. Earnings per Share

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
(in thousands, except per share)				
Net income for the period attributable to equity shareholders	**12,224**	17,680	**18,387**	39,168
Average weighted number of outstanding common shares – basic	**324,899**	324,580	**324,874**	312,084
Dilutive effect of options	**498**	1,187	**593**	969
Weighted average number of outstanding common shares – diluted	**325,397**	325,767	**325,467**	313,053
Earnings per share	**0.04**	0.05	**0.06**	0.13
Diluted earnings per share	**0.04**	0.05	**0.06**	0.13

19. Financial Commitments and Contingencies

Purchase Obligations
As at September 30, 2017, purchase commitments totaled $61,875,000, of which $53,615,000 related to the Boungou Mine.

Government Royalties
In Burkina Faso, all shipments at 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 at gold spot prices between $1,000 and $1,300 per ounce, and a 5% royalty rate is applied to all shipments at a gold spot price greater than $1,300 per ounce.

For the three-month and nine-month periods ended September 30, 2017, the Corporation was subject to royalty rates of 4% and 5% (2016: 4% and 5%), which was calculated using the retail market value of gold ounces sold at the time of shipment. For the three-month and nine-month periods ended September 30, 2017, government royalties amounting to $3,011,000 and $8,092,000, respectively (2016: $4,028,000 and $10,185,000, respectively), were paid to the Government of Burkina Faso.

Net Smelter Royalty ("NSR")
The Corporation is subject to an NSR of 1% 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 $4,043,000 (2,244,166,000 FCFA). The Corporation is exempt from this tax under its mining agreement for the Mana Mine pursuant to fiscal stability clauses. As a result, no provision was recorded in the unaudited interim consolidated financial statements as at September 30, 2017. The Corporation is vigorously defending its position with the Water Agency.

Contractual obligations
In the normal course of business, the Corporation entered into a service contract that commits it to minimum payments totaling $25,052,000 for the following three years, $10,366,000 of which within 12 months.

20. Financial Information Included in the Interim Consolidated Statement of Cash Flows

a) Changes in non-cash working capital items

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Trade and other receivables	**4,815**	777	**(1,723)**	982
Income tax receivable	**(229)**	—	**(229)**	1,634
Inventories	**(5,482)**	722	**(1,355)**	4,769
Other current assets	**(629)**	750	**(2,062)**	(364)
Trade payables and accrued liabilities	**272**	4,431	**4,066**	7,730
Share unit liabilities	**—**	—	**(5,218)**	(607)
Provisions	**110**	68	**253**	(3,362)
Withholding taxes	**—**	—	**—**	(5,827)
Income tax payable	**(1,953)**	1,304	**(5,422)**	6,284
	(3,096)	8,052	**(11,690)**	11,239

b) Supplemental information on non-cash items

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Depreciation of property, plant and equipment allocated to exploration and development costs	**1,375**	1,444	**3,715**	4,427
Depreciation of property, plant and equipment allocated to mineral properties under development	**2,403**	—	**2,403**	—
Net effect of depreciation of property, plant and equipment allocated to inventories	**1,113**	508	**855**	171
New asset retirement obligations allocated to property, plant and equipment	**1,277**	87	**2,704**	276
Variation in accounts payables related to property, plant and equipment	**(5,177)**	(2,565)	**(20,681)**	(2,335)
Amortization of capitalized financing fees	**580**	94	**1,229**	483

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

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Acquisitions of exploration and evaluation assets	**(410)**	(7,350)	**(2,142)**	(19,229)
Acquisitions of other property, plant and equipment	**(57,610)**	(15,490)	**(136,974)**	(43,551)
	(58,020)	(22,840)	**(139,116)**	(62,780)

21. 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. The Corporation evaluates the performance of its operating segments primarily based on segment operating income, as defined below.

					Three-month period ended September 30, 2017
	Mana, Burkina Faso	Boungou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	69,832	—	—	—	69,832
Mining operating expenses	30,340	—	—	—	30,340
Depreciation of property, plant and equipment	21,831	—	—	90	21,921
General and administrative	686	—	—	2,767	3,453
Corporate social responsibility expenses	302	—	—	—	302
Share-based compensation	—	—	—	1,997	1,997
Operating income (loss)	**16,673**	**—**	**—**	**(4,854)**	**11,819**
Property, plant and equipment	307,550	316,951	30,107	1,527	656,135
Total assets	445,334	353,456	31,893	187,087	1,017,770

					Three-month period ended September 30, 2016
	Mana, Burkina Faso	Boungou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	80,200	—	—	—	80,200
Mining operating expenses	34,438	—	—	—	34,438
Depreciation of property, plant and equipment	19,814	—	—	66	19,880
General and administrative	889	—	—	2,306	3,195
Corporate social responsibility expenses	247	—	—	—	247
Share-based compensation	—	—	—	(576)	(576)
Operating income (loss)	**24,812**	**—**	**—**	**(1,796)**	**23,016**
Property, plant and equipment	329,156	166,954	35,984	1,772	533,866
Total assets	478,237	166,954	37,048	216,383	898,622

21. Segmented Information (continued)

	Nine-month period ended September 30, 2017				
	Mana, Burkina Faso	Boungou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	196,033	—	—	—	196,033
Mining operating expenses	101,559	—	—	—	101,559
Depreciation of property, plant and equipment	71,714	—	—	270	71,984
General and administrative	1,898	—	—	8,426	10,324
Corporate social responsibility expenses	669	97	—	—	766
Share-based compensation	—	—	—	2,121	2,121
Operating income (loss)	**20,193**	**(97)**	**—**	**(10,817)**	**9,279**

	Nine-month period ended September 30, 2016				
	Mana, Burkina Faso	Boungou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	231,346	—	—	—	231,346
Mining operating expenses	99,388	—	—	—	99,388
Depreciation of property, plant and equipment	57,187	—	—	197	57,384
General and administrative	2,174	—	—	8,329	10,503
Corporate social responsibility expenses	562	—	—	—	562
Share-based compensation	—	—	—	8,229	8,229
Operating income (loss)	**72,035**	**—**	**—**	**(16,755)**	**55,280**

The Corporation's revenue is derived from one major customer. The Corporation is not economically dependent on a limited number of customers for the sale of gold because gold can be sold through numerous commodity market traders worldwide.

Plant site - Boungou Mine as of October 2017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