Expanding Our Horizons

Second Quarter
For the period ended June 30, 2009

SEMAFO (the "Company") is a Canadian-based mining company with gold production and exploration activities in West Africa. The Company and its subsidiaries currently operate three gold mines in Burkina Faso, Niger and Guinea. SEMAFO is committed to evolve in a conscientious manner to become a major player in its geographical areas of interest, while maintaining principles and strengthening relationships to increase shareholder value.

The Management's Discussion and Analysis ("MD&A") provides an analysis to enable readers to assess material changes in financial condition and results of operations for the three-month period ended June 30, 2009 compared to the corresponding period last year. This MD&A, prepared as of August 10, 2009, is intended to complement and supplement our Consolidated Interim Unaudited Financial Statements. It should be read in conjunction with the MD&A for the period ended December 31, 2008, our Audited Consolidated Annual Financial Statements for the year ended December 31, 2008 and notes thereto, together with our Consolidated Interim Unaudited Financial Statements and notes thereto for the quarter ended June 30, 2009. 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 Consolidated Interim Unaudited Financial Statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All dollar amounts contained in this MD&A are expressed in US dollars, unless otherwise specified. Effective January 1, 2009, the Company adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") addressing Goodwill and Intangible assets as well as Mining Exploration Costs. See note 3 of the Consolidated Interim Unaudited Financial Statements as at June 30, 2009.

Since the start of commercial production at the Mana mine in Burkina Faso on April 1st, 2008, the operating results have been recognized in the Statements of Operations.

1. Financial and Operating Highlights

	Three-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
Gold ounces produced	64,100	54,500	122,200	83,200
Gold ounces sold	63,000	49,600	116,600	77,800
(In thousands of dollars, except amounts per ounce, per tonne and per share)				
Revenues – Gold sales	58,646	44,826	108,141	70,366
Operating costs	29,320	22,582	56,835	39,711
Operating income	17,043	13,822	28,216	16,623
Adjusted net income [1]	10,721	11,681	19,623	6,334
Net income	10,721	11,681	19,623	24,183
Basic and diluted net income per share	0.05	0.05	0.08	0.11
Cash flow from operating activities [2]	25,444	19,304	43,944	25,427
Average selling price (per ounce)	931	904	927	905
Cash operating cost (per ounce produced) [3]	419	394	439	441
Cash operating cost (per tonne processed) [3]	31	35	31	31
Total cash cost (per ounce sold) [4]	465	455	487	510

[1] Adjusted net income for the first six months of 2008 excludes the gain on disposal of investment in subsidiaries in the amount of $17,849,000.

[2] Cash flow from operating activities excludes changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations.

[3] Cash operating cost is calculated using ounces produced and tonnes processed. See the section ''Non-GAAP measures'' of this MD&A.

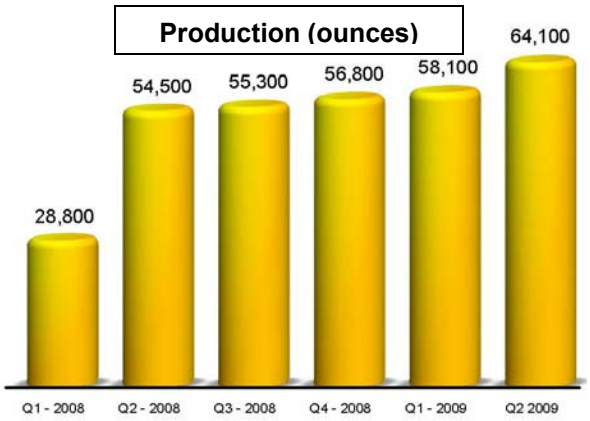
[4] Total cash cost represents the cash operating cost plus royalties and selling expenses as well as the effects of inventory adjustments.

A Word from the CEO

We are pleased to report that for the second quarter of 2009, we continued to build on the positive momentum established in 2008. We delivered on our objective to efficiently and effectively manage our existing assets; realizing the lowest production costs of the last three quarters, while achieving our best production results ever.

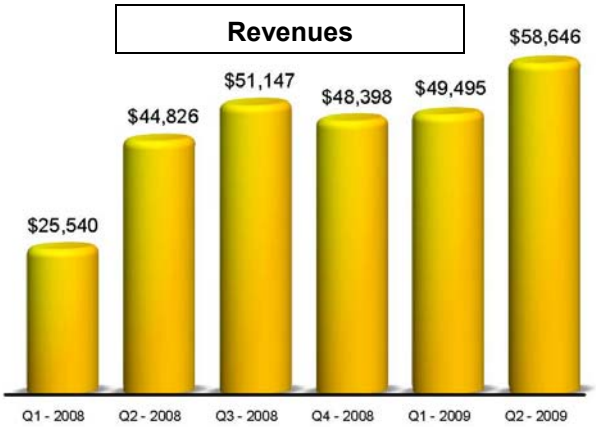
SEMAFO's disciplined growth strategy resulted in an 18% increase in gold production over the same period last year and more than 10% over the previous quarter. In Q2 2009, our flagship Mana mine represented 58% of the total 64,100 ounces of gold produced. Our dedicated team continued to focus on results bringing the Samira Hill mine production to 17,400 ounces of gold. This increase of over 59% compared to the first quarter of 2009 resulted in a second quarter operating income for the Samira Hill mine of $1,844,000 compared to $127,000 for Q1 2009. Consequently, SEMAFO achieved a record overall operating income of $17 million, representing an increase of 23% over last year and 53% over the previous quarter.

As a result of our best production performance ever, SEMAFO generated more than $58.6 million in revenues. Our gold sales revenues increased by 31% over the same period last year, while our average selling price improved by 3%. These results created a new precedent for our Company, bringing the cash flow from operating activities to more than $25 million, representing a 36% increase over the previous quarter. In fact, our Q2 cash flow from operating activities was equivalent to the total cash flow from operating activities of the first six-month period of 2008.



The second quarter of 2009 not only brought us to a new high with regard to our performance and the results achieved; but also saw us successfully closed out the remaining ounces of the Company's hedge program. Moving forward, the completion of this obligation will allow the Company to benefit from the market price of gold and improve cash generation. I am proud to state that today, SEMAFO is 100% unhedged.

During the second quarter, the Company closed a CA $40.5 million bought deal financing. The net proceeds of this transaction provided us with the flexibility to increase the exploration programs at our Mana mine in order to better understand the underground potential as well as to increase the plant capacity from 4,500 tpd to 6,000 tpd in bedrock. We have also stepped up our surface exploration programs on our 1,700 km^2 land portfolio surrounding the Mana mine.



As a result of this solid performance, SEMAFO's balance sheet is stronger than ever as our debt-equity ratio now stands at 20% compared to 38% as at December 31, 2008. Our second quarter performance is a testimony to our commitment to increase shareholder value through the effective management of our existing assets and the pursuit of accretive opportunities in West Africa.

We are very pleased with our results to date and believe that SEMAFO is well positioned for the future as we continue our quest to expand our horizons.

Benoit La Salle
President and Chief Executive Officer

SECOND QUARTER 2009 – HIGHLIGHTS

- Gold production of 64,100 ounces, an 18% increase over the same period last year
- Gold sales of $58,646,000, an increase of 31% over the same period last year
- Cash operating cost of $419 per ounce, an increase of 6% over the same period last year and an improvement of 9% compared to the first quarter of 2009
- Operating income of $17,043,000 compared to $13,822,000 for the same period last year
- Net income of $10,721,000 including a loss on financial instruments and future income tax expense of $3,960,000 compared to a net income of $11,681,000 for the same period last year
- Cash flow from operating activities of $25,444,000 compared to $19,304,000 for the same period last year and $18,500,000 for the first quarter of 2009
- Close-out of the hedge program
- Commencement of an extensive exploration program on the high potential Houndé belt in Burkina Faso
- Positive at-depth drilling results on the Wona zone at Mana
- Completion of a CA $40,520,000 public offering
- Debt reduction of $7,594,000

2009 – OBJECTIVES

- Increase gold production by 18% to achieve total annual gold production of between 220,000 and 240,000 ounces
- Increase plant capacity at the Mana mine to attain 6,000 tonnes-per-day in saprolite ore
- Continue the exploration programs focusing on increasing mineral resources in the high-potential Wona zone in Burkina Faso
- Maintain stable production at the Samira Hill and Kiniero gold mines
- Pursue accretive acquisition opportunities

Outlook

Overall production for the month of July 2009 totalled 21,300 ounces of gold; 12,900 ounces at Mana, 5,500 ounces at Samira Hill and 2,900 ounces at Kiniero.

The Company maintains its previously announced production guidance of between 220,000 and 240,000 ounces for 2009.

Exploration

Burkina Faso

The North East extension of Wona, discovered in 2007, was our main zone of interest in 2008. This zone, and particularly its mineralization lode, remains the focus of our exploration programs at Mana in 2009-2010.

During the second quarter of 2009 the Company made a decision to increase and accelerate exploration activities at Mana, with an $18.5 million exploration program to be carried out during 2009 and 2010. A 110,000-meter drilling program is underway with the objective to increase both at-depth and on surface reserves and resources in the continuity of the Wona structure.

With regards to the underground potential, the focus of the program is to conduct a series of in-fill drill holes as well as to complete a scoping and pre-feasibility study. Depending on results, additional drilling will be performed in 2010 in order to complete the feasibility study.

During the second quarter, core drilling was underway using two drill rigs; a third drilling rig was added in July. By the end of June, 19 drill holes have been completed representing approximately 6,750 meters. The following table presents the drilling results including the main mineralization intersected and high-grade values.

*** DDH INTERSECTIONS AT DEPTH**
WONA NE EXT.

DDH NO	SECTION	FROM	TO	AU(G/T)
WDC80	16850N	187	195	**3.1g/t/8m**
WDC81	16850N	309	328	**3.1g/t/19m**
included		318	328	**3.8g/t/10m**
WDC81	16850N	347	353	**3.2g/t/6m**
WDC82	16950N	207	212	**3.7g/t/5m**
WDC83	16950N	245	251	**3.8g/t/6m**
WDC83	16950N	257	274	**3.1g/t/17m**
included		257	261	**7.4g/t/4m**
WDC84	17050N	264	281	**2.8g/t/18m**
WDC85	17050N	172	186	**4.8g/t/14m**
included		175	184	**6.2g/t/9m**
WDC86	17150N	261	286	**3.4g/t/25m**
included		276	286	**4.8g/t/10m**
WDC87	16600N	234	244	**3.2g/t/10m**
WDC88	16850N	237	246	**3.3g/t/8m**
WDC88	16850N	249	264	**3.1g/t/14m**
included		252	258	**4.5g/t/6m**
WDC88	16850N	267	285	**3.0g/t/19m**
included		271	277	**5.5g/t/6m**
WDC89	16850N	360	377	**2.7g/t/17m**
included		365	375	**3.6g/t/10m**

DDH NO	SECTION	FROM	TO	AU(G/T)
WDC90	16700N	309	314	**1.9g/t/5m**
	16700N	345	349	**2.1g/t/4m**
WDC91	16800N	501	504	**4.8g/t3m**
	16800N	509	515	**1.7g/t/6m**
WDC92	17100N	303	310	**3.4g/t/7m**
	17100N	344	364	**5.4g/t/20m**
included	17100N	352	363	**7.3g/t/11m**
WDC93	17150N	333	341	**3.1g/t/8m**
included		335	338	**5.8g/t/3m**
WDC93	17150N	384	389	**5.6g/t/5m**
WDC94	17200N	207	238	**3.7g/t/31m**
included		223	235	**5.6g/t/12m**
WDC95	17200N	344	360	**5.5g/t/15m**
WDC96	16200N	223	230	**2.1g/t/7m**
WDC97	17000N	377	405	**2.7g/t/28m**
included		396	403	**4.7g/t/7m**
WDC98	16750N	216	229	**3.5g/t/13m**
WDC98	16750N	236	272	**2.9g/t/36m**
WDC99	16750N	132	159	**6.1g/t/27m**

* All lengths are down-the-hole lengths; additional information is required to determine true widths.

This current drilling program confirms the at-depth North East high grade extension of Wona. The auriferous Wona deep extension consists of highly silicified zones crossing sequences of alternating volcanoclastics and shales. Some shales include graphite. Long axes of the mineralisation plunge some 25 degrees towards the northeast. Silicified rocks host on average 2% to 5% sulphides, consisting mainly of pyrite with arseno-pyrite.

In conjunction with the drilling program currently underway over the Wona deep extension, an external scoping study contract has been awarded. As part of this study, mining simulations will be carried out from the resources block model, including all parameters such as rock mechanics. Results will be taken into consideration in determining the most appropriate mining alternative.

Regarding the surface potential, an ultra high-resolution low elevation helicopter borne magnetic and radiometric geophysical survey will be flown in the beginning of the third quarter over our Mana group of permits. The objective is to identify the potential for Wona-type deposit discovery along the 90 km long geological trend, both to the northeast and to the southwest of the mine. The contract covers 1,015 km^2 with 11,520 km of flight lines spaced 100 meters apart. This will be followed by an extensive drilling program in 2009-2010 on the most promising anomalies identified.

An auger drilling program was also initiated on the Massala permit. Although not completed, partial results are very encouraging.

Niger

The Samira Horizon remains an important target. The main focus of our 2009 exploration program is the Boulon Jounga zone, where mining activities are scheduled to begin soon. Over 5,000 meters of auger drilling were completed in the reserves area and assays results combined with geological description suggest a fold on the host horizon south of the pit. This may be a structural ore trap and will require exploration follow-up. An RC drilling campaign is scheduled to begin once the rainy season has ended.

Guinea

Given the success of our exploration programs in the West Balan zone over the last two years, this zone continues to be our main focus in 2009. Exploration programs consist mainly of trenching and 9,000 meters of RC KIK bit drilling.

The southwest extension of West Balan returned significant intersections on a step-out geophysics anomaly, with 8.02 g/t over 4 meters and 4.07 g/t over 5 meters.

The Wombon and South of Jean-Gobelé (SJG) structures were also trenched and drilled, yielding interesting results.

2. Consolidated Results and Mining Operations

	Three-month period ended June 30			Six-month period ended June 30		
	2009	2008	Variation	2009	2008	Variation
Operating Highlights						
Gold ounces produced	**64,100**	54,500	18%	**122,200**	83,200	47%
Gold ounces sold	**63,000**	49,600	27%	**116,600**	77,800	50%
(In thousands of dollars, except amounts per ounce and per tonne)						
Revenues – Gold sales	**58,646**	44,826	31%	**108,141**	70,366	54%
Operating costs	**29,320**	22,582	30%	**56,835**	39,711	43%
Operating income	**17,043**	13,822	23%	**28,216**	16,623	70%
Net income	**10,721**	11,681	(8%)	**19,623**	24,183	(19%)
Average selling price (per ounce)	**931**	904	3%	**927**	905	2%
Cash operating cost (per ounce produced) [1]	**419**	394	6%	**439**	441	-
Cash operating cost (per tonne processed) [1]	**31**	35	(11%)	**31**	31	-
Total cash cost (per ounce sold) [2]	**465**	455	2%	**487**	510	(5%)

[1] Cash operating cost is calculated using ounces produced and tonnes processed. See the section ''Non-GAAP measures'' of this MD&A.

[2] Total cash cost represents the cash operating cost plus royalties and selling expenses as well as the effects of inventory adjustments.

Second Quarter 2009 v. Second Quarter 2008

- The 31% increase in gold sales is mainly related to the ounces sold which result from the increased production at the Mana Mine. The second quarter of 2008 was the first quarter of commercial production at Mana with only 17,200 ounces produced using the small ball mill. During the second quarter of 2009, 37,300 ounces were produced using the larger ball mill, commissioned in the third quarter of 2008. The average selling price of gold increased by 3%.
- Operating income increased by $3,221,000 to attain $17,043,000 for the second quarter of 2009. This improved operating income is due to higher production as explained above.
- Net income before taxes reached $13,257,000 in the second quarter of 2009 compared to $12,255,000 for the second quarter of 2008. The increase in operating income was offset by a loss of $1,424,000 in the change to the fair value of financial instruments as well as a foreign exchange loss of $750,000 for the second quarter of 2009.
- Net income totalled $10,721,000 or $0.05 per share after deducting a future income tax expense of $2,536,000. This compares to a net income of $11,681,000 or $0.05 per share for the second quarter of 2008, after taking into account a $574,000 future income tax expense.

First Six Months of 2009 v. First Six Months of 2008

- During the first six months of 2009, gold sales totalled $108,141,000 compared to $70,366,000 for the same period last year. This 54% increase is primarily due to a 50% increase in gold ounces sold, as a result of higher production at the Mana mine. Commercial production began in the second quarter of 2008.
- The 70% increase in operating income is due to higher production combined with an increased average selling price and a reduced total cash cost per ounce sold.
- Net income totalled $19,623,000 for the first six months of 2009, compared to $24,183,000 for the first six months of 2008. The comparative net income includes a gain on disposal of our uranium subsidiary in the amount of $17,849,000 and unrealized losses in the amount of $7,742,000 following the change to the fair value of derivative financial instruments. The variation is mainly explained by the improvement in the operating income.

Operating Income by Segment

(In thousands of dollars)	Three-month period ended June 30			Six-month period ended June 30		
	2009	2008	Variation	2009	2008	Variation
Mana Mine, Burkina Faso	**15,026**	3,878	287%	**24,918**	3,878	543%
Samira Hill Mine, Niger	**1,844**	4,425	(58%)	**1,971**	6,531	(70%)
Kiniero Mine, Guinea	**1,859**	7,151	(74%)	**4,334**	9,512	(54%)
Corporate and others	**(1,686)**	(1,632)	(3%)	**(3,007)**	(3,298)	9%
Total	**17,043**	13,822	23%	**28,216**	16,623	70%

Mining Operations

Mana, Burkina Faso

	Three-month period ended June 30			Six-month period ended June 30		
	2009	2008	Variation	2009	2008	Variation
Operating Data						
Ore mined (tonnes)	**425,800**	176,900	141%	**807,300**	345,400	134%
Ore processed (tonnes)	**345,500**	150,200	130%	**698,900**	191,900	264%
Head grade (g/t)	**3.74**	4.18	(11%)	**3.30**	3.77	(12%)
Recovery (%)	**96**	92	4%	**96**	92	4%
Gold ounces produced	**37,300**	17,200	117%	**73,300**	17,300	324%
Gold ounces sold	**36,800**	11,800	212%	**67,900**	11,800	475%
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**34,209**	10,597	223%	**62,675**	10,597	491%
Mining operations expenses	**13,096**	4,945	165%	**26,371**	4,945	433%
Amortization	**5,873**	1,569	274%	**10,870**	1,569	593%
Administration	**186**	184	1%	**460**	184	150%
Accretion expense of asset retirement obligations	**28**	21	33%	**56**	21	167%
Segment operating income	**15,026**	3,878	287%	**24,918**	3,878	543%
Statistics ($)						
Average selling price (per ounce)	**930**	898	4%	**923**	898	3%
Cash operating cost (per ounce produced) [1]	**320**	367	(13%)	**353**	367	(4%)
Cash operating cost (per tonne processed) [1]	**37**	42	(12%)	**35**	42	(17%)
Total cash cost (per ounce sold) [2]	**356**	419	(15%)	**388**	419	(7%)
Amortization (per ounce sold)	**160**	133	20%	**160**	133	20%

[1] Cash operating cost is calculated using ounces produced and tonnes processed. See the section ''Non-GAAP measures'' of this MD&A.

[2] Total cash cost represents the cash operating cost plus royalties and selling expenses as well as the effects of inventory adjustments.

Second Quarter 2009 v. Second Quarter 2008

- For the three-month period ended June 30, 2009, a total of 425,800 tonnes of ore and 2,225,000 tonnes of waste material were extracted resulting in a stripping ratio of 5:1. This compares to 176,900 tonnes of ore and 2,253,000 tonnes of waste for the same period in 2008 which resulted in a stripping ratio of 13:1. In 2009, in order to optimize production, mining activities focused on the Wona pit as opposed to the Nyafe pit in 2008 and accounted for the decrease in stripping ratio.
- The increase in ore processed is a direct result of the large ball mill commissioned in the third quarter of 2008.
- During the second quarter of 2009, the ore processed was primarily sourced from the Wona pit, which has a lower grade than Nyafe pit.
- During the second quarter of 2009, Mana produced 37,300 ounces of gold compared to 17,200 ounces during the same period in 2008. This 117% increase is mainly the result of the increased throughput using the larger ball mill.
- The improved cash operating cost is due to a lower strip ratio and process optimization which resulted in a decrease in reagent consumption.

Mining Operations

Mana, Burkina Faso (continued)

Project updates

- The first phase of the plant expansion, which will increase plant capacity to up to 6,000 tonnes-per-day in saprolite ore by the end of the year, is in progress. Detailed engineering work is on-going and additional mining equipments are now fully operational. Plant equipments are scheduled to be delivered during the third quarter and will be installed by year-end.
- The second phase of the plant expansion, which will increase plant capacity to up to 6,000 tonnes per day in bedrock by the end of the second quarter of 2010, started with the purchase of a second-hand SAG mill during the second quarter of 2009. Preliminary engineering work and the SAG mill refurbishment are underway.

Changes in Cash Operating Cost:	Per tonne processed $	Per ounce produced $
Cash Operating Cost – Second Quarter 2008	**42**	**367**
Decrease in direct costs	(5)	(87)
Decrease of head grade recovered in ore processed		40
Cash Operating Cost – Second Quarter 2009	**37**	**320**

First Six Months of 2009 v. First Six Months of 2008

- For the six-month period ended June 30, 2009, a total of 807,300 tonnes of ore and 4,522,800 tonnes of waste material were extracted resulting in a stripping ratio of 6:1. In addition, 179,400 tonnes of waste material were extracted from the Filon 67 pit during the pre-stripping phase. This compares to 345,400 tonnes of ore and 4,091,200 tonnes of waste for the same period in 2008, which resulted in a stripping ratio of 12:1.
- The significant increase in ore processed is the direct result of the plant start-up which took place in February 2008 as well as the commissioning of the larger ball mill in July 2008.
- As previously explained, the variation in the average grade is mainly due to the extraction of ore from the Wona pit in 2009 as opposed to Nyafe pit in 2008.
- During the first six months of 2009, Mana produced 73,300 ounces of gold compared to 17,300 ounces during the same period last year.
- The cash operating cost for the six-month period ended June 30, 2009 was $353 per ounce produced or $35 per tonne processed. This compares to $367 per ounce produced or $42 per tonne processed during the first six months of 2008. This improvement is mainly the result of the reduced stripping ratio, the increase in ore processed and the decrease in reagent consumption.

Mining Operations

Samira Hill, Niger

	Three-month period ended June 30			Six-month period ended June 30		
	2009	2008	Variation	2009	2008	Variation
Operating Data						
Ore mined (tonnes)	**263,500**	342,300	(23%)	**656,800**	735,900	(11%)
Ore processed (tonnes)	**410,200**	319,700	28%	**720,500**	723,800	-
Head grade (g/t)	**1.58**	2.17	(27%)	**1.69**	2.02	(16%)
Recovery (%)	**79**	88	(10%)	**72**	76	(5%)
Gold ounces produced	**17,400**	19,800	(12%)	**28,300**	36,100	(22%)
Gold ounces sold	**16,800**	20,600	(18%)	**28,400**	35,900	(21%)
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**15,654**	18,138	(14%)	**26,313**	32,056	(18%)
Mining operations expenses	**11,251**	11,094	1%	**19,919**	20,963	(5%)
Amortization	**2,123**	2,139	(1%)	**3,533**	3,857	(8%)
Administration	**392**	443	(12%)	**802**	631	27%
Accretion expense of asset retirement obligations for property, plant and equipment	**44**	37	19%	**88**	74	19%
Segment operating income	**1,844**	4,425	(58%)	**1,971**	6,531	(70%)
Statistics ($)						
Average selling price (per ounce)	**932**	880	6%	**927**	893	4%
Cash operating cost (per ounce produced) [1]	**597**	474	26%	**642**	525	22%
Cash operating cost (per tonne processed) [1]	**24**	29	(17%)	**26**	26	-
Total cash cost (per ounce sold) [2]	**670**	539	24%	**701**	584	20%
Amortization (per ounce sold)	**126**	104	21%	**124**	107	16%

[1] Cash operating cost is calculated using ounces produced and tonnes processed. See the section ''Non-GAAP measures'' of this MD&A.

[2] Total cash cost represents the cash operating cost plus royalties and selling expenses as well as the effects of inventory adjustments.

Second Quarter 2009 v. Second Quarter 2008

- During the three-month period ended June 30, 2009, 263,500 tonnes of ore and 1,148,900 tonnes of waste material were extracted from the Long Tom and Libiri pits, resulting in a strip ratio of 4:1. In addition, 184,800 tonnes of waste material were extracted from the Boulon Jounga pit during the pre-stripping phase. For the corresponding period in 2008, 342,300 tonnes of ore and 1,561,200 tonnes of waste material were extracted for a stripping ratio of 4:1.
- The 28% increase in ore processed is mainly due to the processing of saprolite ore sourced from the Long Tom pit. For the remainder of the year, ore processed will essentially be sourced from the Long Tom and Boulon Jounga pits which mainly contain saprolite ore; therefore allowing for higher throughput. Issuance of the Boulon Jounga mining license is pending final approval. The Boulon Jounga pit contains more than 570,000 tonnes of ore at an average grade of 2.38 g/t with a stripping ratio of 3.8:1.
- The decrease in grade is due to the processing of ore sourced from the Long Tom pit and the use of stockpiled ore during the second quarter of 2009 compared to Libiri pits in the second quarter of 2008.
- The decreased recovery rate in the second quarter of 2009 compared to the second quarter of 2008 is due to the processing of transition ore from stockpiles.
- The decrease in ounces produced, compared to the corresponding quarter in 2008, is essentially the result of lower head grade, partially offset by the increase in ore processed.
- The higher cash operating cost per ounce is mainly due to the decrease of the head grade recovered as explained in the following table. However the cash operating cost per ounce improved compared to the first quarter of 2009 from $714 to $597.

Mining Operations

Samira Hill, Niger (continued)

Changes in Cash Operating Cost:	Per tonne processed $	Per ounce produced $
Cash Operating Cost – Second Quarter 2008	**29**	**474**
Decrease in direct costs	(5)	(62)
Decrease of head grade recovered in ore processed		185
Cash Operating Cost – Second Quarter 2009	**24**	**597**

First Six Months of 2009 v. First Six Months of 2008

- During the first six months of 2009, 656,800 tonnes of ore and 2,272,000 tonnes of waste material were extracted, resulting in a stripping ratio of 3:1. In addition, 226,800 tonnes of waste material were extracted from the Boulon Jounga and Long Tom pits during the pre-stripping phase. For the corresponding period in 2008, 735,900 tonnes of ore and 2,944,500 tonnes of waste material were extracted, for a stripping ratio of 4:1.
- The decrease in grade is the result of the processing of ore mainly sourced from the Long Tom pit and the use of stockpiled ore in 2009 compared to the Samira and Libiri pits in 2008.
- The decrease in gold production and the increase in cash operating cost per ounce are mainly due to the processing of lower grade ore in 2009 compared to 2008.

Mining Operations

Kiniero, Guinea

	Three-month period ended June 30			Six-month period ended June 30		
	2009	2008	Variation	2009	2008	Variation
Operating Data						
Ore mined (tonnes)	**142,300**	164,700	(14%)	**249,200**	329,600	(24%)
Ore processed (tonnes)	**122,000**	143,900	(15%)	**254,100**	292,200	(13%)
Head grade (g/t)	**2.83**	4.08	(31%)	**2.75**	3.44	(20%)
Recovery (%)	**91**	94	(3%)	**89**	95	(6%)
Gold ounces produced	**9,400**	17,500	(46%)	**20,600**	29,900	(31%)
Gold ounces sold	**9,400**	17,200	(45%)	**20,300**	30,100	(33%)
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**8,783**	16,091	(45%)	**19,153**	27,713	(31%)
Mining operations expenses	**4,973**	6,543	(24%)	**10,545**	13,803	(24%)
Amortization	**1,467**	2,168	(32%)	**3,229**	3,808	(15%)
Administration	**459**	198	132%	**995**	528	88%
Accretion expense of asset retirement obligations for property, plant and equipment	**25**	31	(19%)	**50**	62	(19%)
Segment operating income	**1,859**	7,151	(74%)	**4,334**	9,512	(54%)
Statistics ($)						
Average selling price (per ounce)	**934**	935	-	**943**	921	2%
Cash operating cost (per ounce produced) [1]	**483**	331	46%	**463**	381	22%
Cash operating cost (per tonne processed) [1]	**40**	40	-	**36**	39	(8%)
Total cash cost (per ounce sold) [2]	**529**	380	39%	**519**	459	13%
Amortization (per ounce sold)	**156**	126	24%	**159**	127	25%

[1] Cash operating cost is calculated using ounces produced and tonnes processed. See the section ''Non-GAAP measures'' of this MD&A.

[2] Total cash cost represents the cash operating cost plus royalties and selling expenses as well as the effects of inventory adjustments.

Second Quarter 2009 v. Second Quarter 2008

- During the second quarter of 2009, 142,300 tonnes of ore and 1,396,800 tonnes of waste material were extracted compared to 164,700 tonnes of ore and 1,435,200 tonnes of waste material during the corresponding period in 2008. This represents a stripping ratio of 7:1 for the second quarter 2009, compared to 9:1 for the second quarter of 2008. This reduction is mainly due to the mining at-depth of the Gobele C pit at a lower strip ratio.
- Throughput decreased by 15% during the three-month period ended June 30, 2009 compared to the second quarter of 2008. This reduction is mainly due to harder ore extracted from the pits at depth. For the remainder of the year, the main source of ore will be the West Balan BC pit.
- The 31% decrease in grade is the result of the processing of ore from West Balan BC pit in 2009 compared to the West Balan pit in 2008.
- The recovery rate decreased from 94% in 2008 to 91% in the second quarter of 2009. This decrease is mainly the result of the processing of sulphide ore from the West Balan and the Gobele C pits at depth. Historical studies indicate that the recovery rate may decrease to 80% when processing sulphide ore at Kiniero.
- The decrease in ounces produced is mainly the result of the lower grade ore processed.
- The increase in cash operating cost per ounce is due to decreased head grade recovered as explained in the following table.

Mining Operations

Kiniero, Guinea (continued)

Changes in Cash Operating Cost:	Per tonne processed $	Per ounce Produced $
Cash Operating Cost – Second Quarter 2008	**40**	**331**
Decrease of the head grade recovered in ore processed		152
Cash Operating Cost – Second Quarter 2009	**40**	**483**

First Six Months of 2009 v. First Six Months of 2008

- The 24% decrease in the ore mined is mainly the result of the stripping of the West Balan BC pit.
- As previously explained, the head grade decrease is the result of the processing of ore from the West Balan BC pit in 2009 as compared to the West Balan pit in 2008.
- A total of 20,600 ounces of gold were produced at Kiniero during the first six months of 2009, representing a 31% decrease over the same period in 2008, mainly as a result of the processing of lower grade ore.
- The increase in the cash operating cost per ounce is mainly due to the lower head grade.

Administration

Administration expenses totalled $2,701,000 for the second quarter of 2009 and $5,221,000 for the first six months of 2009, compared to $2,424,000 and $4,575,000 for the corresponding periods in 2008. The increases are primarily due to expanded activities.

Interest on Long-Term Debt

The interest on long-term debt totalled $1,301,000 for the second quarter of 2009 compared to $1,380,000 for the same period in 2008, as a result of long-term debt repayment during the last twelve months.

In the first six months of 2009, the interest on long-term debt increased by $998,000 to $2,732,000. This is due to the interest on the Mana mine $45,000,000 term facility that is no longer capitalized since the commencement of commercial production on April 1, 2008.

Change to the Fair Value of Derivative Financial Instruments

Pursuant to the variation in the gold prices during the second quarter of 2009, a loss of $1,424,000 on derivative financial instruments (gold sales contracts, gold purchase contracts and put options) was recorded, compared to a gain of $65,000 for the same period in 2008. In the first six months of 2009, a loss of $1,366,000 was recorded as compared to $7,742,000 for the same period in 2008.

Starting July 1st 2009, the change to the fair value of derivative financial instruments will relate solely to the put options as the company closed out its hedge program (gold sales and gold purchase contracts) in June 2009.

Gain on Disposal of Investment in Subsidiaries

In February 2008, the Company completed a transaction with Govi High Power Exploration Inc. ("GoviEx") aimed at combining the companies' interests in uranium mining projects. As part of this transaction, the Company sold all of its shares in its subsidiary SEMAFO Energy (Barbados) Limited in consideration of approximately 12% of GoviEx's outstanding shares at the transaction date. This transaction resulted in a non-cash gain of $17,849,000 in 2008.

3. Cash Flow

The following table summarizes our cash flow activities:

	Three-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
(In thousands of dollars)				
Cash flow				
Operations	**25,444**	19,304	**43,944**	25,427
Working capital items	**(10,836)**	(3,050)	**(13,676)**	(4,760)
Operating activities	**14,608**	16,254	**30,268**	20,667
Financing activities	**25,464**	(2,630)	**20,262**	264
Investing activities	**(16,178)**	(17,241)	**(29,662)**	(39,066)
Change in cash and cash equivalents during the period	**23,894**	(3,617)	**20,868**	(18,135)
Cash and cash equivalents - Beginning of period	**20,416**	15,526	**23,442**	30,044
Cash and cash equivalents - End of period	**44,310**	11,909	**44,310**	11,909

Operating

Operating activities, before working capital items, generated record cash flows of $25,444,000 in the second quarter of 2009 reflecting the increase in production as well as an increase in average selling price. During the same period in 2008, the operating activities generated liquidities of $19,304,000.

Working capital items required liquidities of $10,836,000 in the second quarter of 2009 mainly due to an increase in the accounts receivable, which proceeds were received mainly in July 2009 combined with a decrease in accounts payable and accrued liabilities. Details of changes in working capital items are provided in note 14a) of our Consolidated Interim Unaudited Financial Statements as at June 30, 2009.

Financing

In the second quarter of 2009, the company reimbursed $7,594,000 of its long-term debt compared to $2,634,000 during the corresponding period of 2008.

On June 23, 2009, the company closed a public offering at $1.97 (CA $2.27) per common share which resulted in a total of 17,850,000 common shares being issued for gross proceeds of $35,237,000 (CA $40,519,500). Share issue expenses related to this public offering totalling $2,212,000. In addition, 25,000 options were exercised for cash consideration of $33,000.

Use of proceeds as at June 30, 2009 in comparison to the previously proposed use of proceeds of our 2007 through 2009 public offerings are as follows:

	Investment announced financing 2009 $	Actual use of proceeds, June 30, 2009 $	Investment announced financing 2008 $	Actual use of proceeds June 30, 2009 $	Investment announced financing 2007 $	Actual use of proceeds, June 30, 2009 $
Exploration at Mana Mine	18,500,000	-	-	-	-	-
Mana Plant extension	8,000,000	-	-	-	-	-
Reduction in hedge program.....	-	-	15,000,000	15,000,000	15,000,000	15,000,000
Working capital, including acquisition of spare parts and building of ROM pad	-	-	-	-	8,982,000	8,982,000
General corporate purposes	8,737,000	-	2,466,000	2,466,000	-	-
	35,237,000	**-**	**17,466,000**	**17,466,000**	**23,982,000**	**23,982,000**

Investing

In the second quarter of 2009, the Company proceeded to the settlement of gold sales contracts, representing 14,500 ounces for a total amount of $8,648,000. The Company cashed $23,000 in relation to the interest rate swap. Accordingly, settlements totalling $15,483,000 were concluded during the first six months of 2009 compared to $12,592,000 for the corresponding period in 2008. These settlements closed out the Company's hedge program.

Investments of $8,803,000 in property, plant and equipment were made in the second quarter of 2009 compared to investments of $11,409,000 for the same period in 2008.

These investments represent exploration expenditures totalling $2,075,000, the expansion of the Mana mine totalling $3,320,000, as well as sustainable capital expenditure in the amount of $3,408,000. Investments in the corresponding period in 2008 mainly represented the construction of the Mana mine totalling $6,182,000 as well as exploration and sustainable capital expenditures totalling $2,509,000 and $2,718,000, respectively.

The Company was required to maintain a cash balance of $1,250,000 in a distinct account until the complete reimbursement of the $12,500,000 loan. The loan was completely reimbursed in Juin 2009. Accordingly, the amount of $1,250,000 became available without restriction.

Financial Position

As at June 30, 2009, the Company benefited from a solid financial situation with $48,360,000 in cash and cash equivalents and restricted cash.

The Company's cash requirements over the next twelve months relate primarily to the following activities:

- Long-term debt reimbursement;
- Mana expansion project; and
- Exploration programs.

4. Balance Sheets

(In thousands of dollars)	As at June 30, 2009	As at December 31, 2008
Current assets	**112,652**	82,457
Restricted cash	**4,050**	4,050
Property, plant and equipment	**199,985**	202,980
Investment and other assets	**24,055**	25,186
Total Assets	**340,742**	314,673
Total Liabilities	**93,235**	120,353
Shareholders' Equity	**247,507**	194,320

The Company's total assets amounted to $340,742,000 as at June 30, 2009, compared to $314,673,000 as at December 31, 2008.

As at June 30, 2009, the Company held cash and cash equivalents of $44,310,000, compared to $23,442,000 as at December 31, 2008. This increase is the result of the cash flow from operating activities and the public offering closed in June 2009. In addition, the Company held $4,050,000 in restricted accounts according to conditions associated to its loans as described in Note 8 of the Consolidated Interim Unaudited Financial Statements. The Company does not anticipate that these restrictions will cause any impact on its capacity to honour its obligations.

The Company's property, plant and equipment totalled $199,985,000 as at June 30, 2009 compared to $202,980,000 as at December 31, 2008.

Total liabilities amounted to $93,235,000 as at June 30, 2009, compared to $120,353,000 as at December 31, 2008. Reimbursement of long-term debt and financial instruments settled during the first six months of 2009 explain the decrease in liabilities.

Share capital increased to $329,197,000 as at June 30, 2009, from $293,910,000 as at December 31, 2008 further to the June 23, 2009 public offering of 17,850,000 common shares for gross proceeds of $35,237,000 (CA $40,519,500).

5. Derivative Financial Instruments

a) Gold Sales Contracts, Gold Purchase Contracts and Interest-Rate Swap

The Company closed-out its hedging program by settling gold sales contracts representing 26,000 ounces for a total amount of $15,498,000 during the first six-month period of 2009 and 14,500 ounces for $8,648,000 during the three-month period ended June 30, 2009. As a result, the Company no longer has derivative financial instruments of this nature.

b) Put Options

In 2007, the Company implemented a 55,000 ounces gold price put protection program for the Mana mine, which was a requirement under the $45,000,000 debt facility.

The Company purchased put options allowing it to price-protect at a minimum price of $600 per ounce for 55,000 ounces of gold broken down on a monthly basis as follows: 5,000 ounces in 2009, 5,000 ounces in 2010 and 45,000 ounces in 2011. Consequently, the entire production will be available to be sold at spot prices and fully exposed to any increase in the gold price with the downward price protected at $600 per ounce on 55,000 ounces.

6. Contractual Obligations and Commitments

Long-Term Debt

Pursuant to the Company's long-term debt agreements, the aggregate amount of the long-term debt payments required in each of the next five calendar years is as follows:

	$
2009	10,284,000
2010	22,938,000
2011	15,179,000
2012	179,000
2013 onwards	627,000
	49,207,000

Asset Retirement Obligations

The Company's operations are governed by mining agreements covering the protection of the environment. The Company conducts its operations in such a manner as to protect public health and the environment. The Company will implement progressive measures for rehabilitation work during the operation, closing-down and follow-up work upon closing of the mines in accordance with its mining agreements. The estimated undiscounted cash flow required to settle the asset retirement obligations is $6,528,000. These disbursements are expected to be made during the years 2009 to 2017. The amount accounted for as liabilities in the Company's consolidated financial statements represent the discounted obligations from rehabilitation and closing plans. An 8% discount rate was used to evaluate those obligations.

Royalties and Development Taxes

Pursuant to the Company's mining agreements, the Company has royalty commitments, which generate obligations upon gold deliveries. If the Company's mines do not produce gold, it has no payment obligation. Each gold shipment is subject to royalty fees of 5% in Guinea, 5.5% in Niger and 3% in Burkina Faso, based on the value of the shipment, evaluated at the spot price on the delivery date. In Guinea, the Company is also committed to invest 0.4% of its gold sales in local development projects.

Payments to Maintain Mining Rights

In the normal course of business, in order to obtain and maintain all the advantages of the Company's permits, the Company must commit to invest a specific amount in exploration and development on the permits during their validity period. Moreover, the Company must make annual payments in order to maintain certain property titles.

7. Risks and Uncertainties

As a mining company, the Company faces the financial, operational, political and environmental risks inherent to the nature of its activities. These risks may affect the Company's profitability and level of operating cash flow. The Company also faces risks stemming from other factors, such as fluctuations in gold prices, petroleum prices, interest rates, exchange rates and financial market conditions in general. As a result, the securities of the Company must be considered speculative. Prospective purchasers of the common shares of the Company should give careful consideration to all of the information contained or incorporated by reference in this Management's Discussion and Analysis and, in particular, the following risk factors:

Financial Risks

Fluctuation in Gold Prices

The profitability of the Company's operations will be significantly affected by changes in the market price of gold. Gold production from mining operations and the willingness of third parties, such as central banks, to sell or lease gold affects the gold supply. Demand for gold can be influenced by economic conditions, gold's attractiveness as an investment vehicle and the strength of the US dollar and local investment currencies. Other factors include the level of interest rates, 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 because of speculative activities. Fluctuations in gold prices may adversely affect the Company's financial performance and results of operations.

Fluctuation in Petroleum Prices

Because the Company uses petroleum fuel to power its mining equipment and to generate electrical energy to supply its mining operations, the Company's operating results and financial results may be adversely affected by rising petroleum prices.

Fluctuation in Interest Rates

As a borrower, the Company is not subject to the risk of increases in interest rates since all of its long-term debts bear interest at fixed rates.

Exchange Rate Fluctuations

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

Access to Capital Markets

To fund its growth, the Company is 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 the Company's projects. To ensure the availability of capital, the Company maintains an investor relations program in order to inform all shareholders and potential investors of the Company's developments.

Gold Sales Contracts

In the past, the Company has entered into gold sales contracts to sell gold at a fixed or capped price on a future delivery date, pursuant to the terms of loan agreements. When the gold price rises above the price at which future production has been committed under the Company's forward sales contracts, the Company may not benefit fully from price increases. The Company closed out its hedge program in June 2009 and is no longer exposed to this risk.

Operational Risks

Uncertainty of Reserve and Resource Estimates

The figures for reserves and resources presented herein, and in the documents incorporated by reference, are estimates based on limited information acquired through drilling and other sampling methods. No assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated 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 reserve estimates for, among others, the following reasons:

- Mineralization or formations could be different from those predicted by drilling, sampling and similar examinations;
- Increases in operating mining costs and processing costs could adversely affect reserves;
- Grades of the reserves may vary significantly from time to time and there is no assurance that any particular level of gold may be recovered from the reserves; and
- Declines in the market price of gold may render the mining of some or all of the reserves uneconomic.

Any of these factors may require the Company to reduce its reserves estimates or increase its costs. Short-term factors, such as the need for the additional development of a deposit or the processing of new different grades, may impair the Company's profitability. Should the market price of gold fall, the Company could be required to materially write down its investment in mining properties or delay or discontinue production or the development of new projects.

Production

No assurance can be given that the intended or expected production schedules or the estimated direct operating cash costs will be achieved in respect of the operating gold mines in which the Company has an interest. Many factors may cause delays or cost increases, including, without limitation, labour issues, disruptions in power, transportation or supplies, mechanical failure, and access to adequate water supply. The Company's revenues from the operating gold mines will depend on the extent to which expected operating costs in respect thereof are achieved. In addition, short-term operating factors, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

Nature of Mineral Exploration and Mining

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

Operational Risks (continued)

Nature of Mineral Exploration and Mining (continued)

The Company's operations are, and will continue to be, subject to all of the hazards and risks normally associated with the exploration, development and production of gold, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The Company's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. 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. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. 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, adversely affecting the Company's earnings and competitive position in the future and, potentially, its financial position and results of 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 prices, taxes, royalties, infrastructure, land use, importing and exporting of gold, revenue repatriation and environmental protection. The effects of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Depletion of the Company's Mineral Reserves

The Company 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 of mineral reserves. Exploration for minerals is highly speculative in nature and involves many risks. Many projects are unsuccessful and there are no assurances that current or future exploration programs will be successful. Further, significant costs are incurred to establish mineral reserves, open new pits and construct mining and processing facilities. Development projects have no operating history upon which to base estimates of future cash flow and are subject to the successful completion of feasibility studies, obtaining necessary government permits, obtaining title or other land rights and the availability of financing. In addition, assuming discovery of an economic mine or pit, depending on the type of mining operation involved, many years may elapse before commercial operations commence. Accordingly, there can be no assurances that the Company's current programs will result in any new commercial mining operations or yield new reserves to replace and/or expand current reserves.

Operational Risks (continued)

Licenses and Permits

The Company requires licenses and permits from various governmental authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations in respect of its properties and that it is presently complying in all material respects with the terms of such licenses and permits. Such licenses and permits, however, are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire royalties or properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

Cash Cost of Gold Production

The Company's cash operating cost to produce an ounce of gold is dependent on a number of factors including the grade of reserves, recovery and plant throughput. In the future, the actual performance of the Company may differ from the estimated performance. As these factors are beyond the Company's control, there can be no assurance that the Company's cash operating cost will continue at historical levels.

Title Matters

While the Company has no reason to believe that the existence and extent of any mining property in which it has a participating interest is in doubt, title to mining properties is subject to potential claims by third parties. The failure to comply with all applicable laws and regulations, including failure to pay taxes and carry out and file assessment work, may invalidate title to portions of the properties where the mineral rights are not held by the Company.

Outside Contractor Risk

A significant portion of the Company's operations in Niger will continue to be conducted by outside contractors. As a result, the Company's operations in Niger will be subject to a number of risks, some of which will be outside the Company's control, including:

- Negotiating agreements with contractors on acceptable terms;
- Inability to replace a contractor and its operating equipment in the event that either party terminates the agreement;
- Reduced control over such aspects of operations that are the responsibility of the contractor;
- Failure of a contractor to perform under its agreement with the Company;
- Interruption of operations in the event that a contractor ceases its business due to insolvency or other unforeseen events;
- Failure of a contractor to comply with applicable legal and regulatory requirements, to the extent that it is responsible for such compliance; and
- Problems of a contractor with managing its workforce, labour unrest or other employment issues.

Operational Risks (continued)

Outside Contractor Risk (continued)

In addition, the Company 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 the Company's business, results of operations and financial condition.

Safety and Other Hazards

The mining industry is characterized by significant safety risks. To minimize these risks, the Company provides training and awareness programs to its employees to continuously improve work practices and the work environment.

Political Risks

The Company believes that governments in Burkina Faso, Niger and Guinea support the development of their natural resources by foreign companies. There is no assurance, however, that future political and economic condition in these and other countries in which the Company has exploration properties and royalties payable will not result in their governments adopting different policies respecting foreign ownership of mineral resources, taxation, rates of exchange, environmental protection, labour relations, repatriation of income or return of capital. The possibility that a future government in any of these countries may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which they operate. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. Environmental hazards which are unknown to the Company at present and which have been caused by previous or existing owners or operations of the properties may exist on the Company's properties. Failure to comply with applicable environmental laws and regulations may result in enforcement actions thereunder 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 the Company's operations or result in substantial costs and liabilities to the Company in the future.

Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. SEMAFO has in the past been, currently is and may in the future be, involved in various legal proceedings. While the Company believes it is unlikely that the final outcome of these legal proceedings will have a material adverse effect on the financial position or results of operations, defence 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 legal proceeding will not have a material adverse effect on the Company's future cash flow, results of operations or financial condition.

8. Additional Information

Exchange rates are as follows:

CA $ / US $	2009	2008
December 31 (closing)	-	1.2246
March 31 (closing)	**1.2602**	1.0279
June 30 (closing)	**1.1630**	1.0186
First quarter (average)	**1.2424**	1.0050
Second quarter (average)	**1.1315**	1.0101

9. International Financial Reporting Standards - Changeover plan

In February 2008 the Canadian Accounting Standards Board (AcSB) confirmed that the use of IFRS would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. We have established a changeover plan to adopt IFRS by 2011. An implementation team has been created. The implementation team has started the process of assessing accounting policy choices and elections that are allowed under IFRS. We are also assessing the impact of the conversion on our business activities including the effect on information technology and data systems, internal controls over financial reporting and disclosure controls. We will continually review and adjust our changeover plan to ensure our implementation process properly addresses the key elements of the plan.

10. Disclosure Controls and Procedures

In accordance with Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the effectiveness of the Company's disclosure controls and procedures (DC&P) and its internal control over financial reporting (ICFR) was conducted. Based on this evaluation, the Chief Executive Officer, and the Chief Financial Officer have concluded that DC&P and ICFR were effective as of the six-month period ended June 30, 2009, and that, as a result, ICFR design provides reasonable assurance that material information relating to the Company, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Company must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the times frames prescribed by this legislation. Furthermore, ICFR design provides reasonable assurance that the Company's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with the Company's GAAP. Lastly, no changes to the ICFR that have had or are likely to have a significant effect on this control mechanism were identified by management during the accounting period commencing on January 1, 2009 and ending on June 30, 2009.

11. Non-GAAP Measures

Throughout this document, the Company has provided measures prepared according to Canadian GAAP, as well as some non-GAAP performance measures. Because the non-GAAP performance measures do not have any standardized meaning prescribed by GAAP, they may not be comparable to similar measures presented by other companies. The Company provides these non-GAAP measures as they may be used by some investors to evaluate the Company's performance. 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 Canadian GAAP. The Company has defined the non-GAAP measures below and reconciled them to reported GAAP measures.

Cash Operating Cost

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

			Three-month period ended June 30, 2009	
	Mana	Samira Hill	Kiniero	Total
Gold ounces produced	**37,300**	**17,400**	**9,400**	**64,100**
(In thousands of dollars)				
Operating costs (relating to ounces sold)	**13,096**	**11,251**	**4,973**	**29,320**
Royalties and selling expenses	**(1,246)**	**(1,137)**	**(531)**	**(2,914)**
Effects of inventory adjustments	**91**	**268**	**96**	**455**
Operating costs (relating to ounces produced)	**11,941**	**10,382**	**4,538**	**26,861**
Cash operating cost (per ounce produced)	**320**	**597**	**483**	**419**

			Three-month period ended June 30, 2008	
	Mana	Samira Hill	Kiniero	Total
Gold ounces produced	17,200	19,800	17,500	54,500
(In thousands of dollars)				
Operating costs (relating to ounces sold)	4,945	11,094	6,543	22,582
Royalties and selling expenses	(377)	(1,096)	(926)	(2,399)
Effects of inventory adjustments	1,738	(608)	182	1,312
Operating costs (relating to ounces produced)	6,306	9,390	5,799	21,495
Cash operating cost (per ounce produced)	367	474	331	394

12. Summary of Quarterly Information

(In thousands of dollars, except for amounts per share)	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Gold sales	58,646	49,495	48,398	51,147	44,826	25,540	21,044	16,314
Operating income (loss)	17,043	11,173	4,526	11,959	13,822	2,801	857	(3,910)
Net income (loss)	10,721	8,902	3,980	11,366	11,681	12,502	(7,477)	(10,317)
Basic and diluted net income (loss) per share	0.05	0.04	0.02	0.06	0.05	0.06	(0.04)	(0.05)
Cash flow from operating activities [1]	25,444	18,500	10,824	20,068	19,304	6,143	3,924	859

[1] Cash flow from operating activities excludes changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations.

13. Additional Information and Continuous Disclosure

This MD&A has been prepared as of August 10, 2009. Additional information on the Company is available through regular filings of press releases, financial statements and its Annual Information Form on SEDAR (www.sedar.com).

14. Forward-Looking Statements

This MD&A contains forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding expectations of the Company as to the market price of gold, strategic plans, future commercial production, production targets, timetables, mining operating expenses, capital expenditures, and mineral reserve and resource estimates. Forward-looking statements involve known and unknown risks and uncertainties and accordingly, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause future results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to calculation of mineral reserves and resources, risks related to hedging strategies, risks of delays in construction, requirements of additional financing and other risks described in this MD&A and in the Company's other documents filed from time to time with Canadian securities regulatory authorities. Although the Company is of the opinion that these forward-looking statements are based on reasonable assumptions, such assumptions may prove to be incorrect. Accordingly, readers should not place undue reliance on forward-looking statements. Readers can find further information with respect to risks in the Company's Annual Information Form and the Company's other filings with Canadian securities regulatory authorities available at www.sedar.com . The Company disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.

Consolidated Balance Sheets

(unaudited, expressed in thousands of U.S. dollars)

	As at June 30, 2009 $	As at December 31, 2008 $
Assets		
Current assets		
Cash and cash equivalents	44,310	23,442
Restricted cash	-	1,250
Accounts receivable	9,880	5,067
Inventories (note 4)	53,009	49,152
Other short-term assets (note 5)	5,453	3,546
	112,652	82,457
Restricted cash (note 8)	4,050	4,050
Property, plant and equipment (note 6)	199,985	202,980
Investment and other assets (note 7)	24,055	25,186
	340,742	314,673
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	24,789	28,843
Current portion of long-term debt (note 8)	19,913	22,390
Fair value of derivative financial instruments (note 13)	-	15,020
	44,702	66,253
Long-term debt (note 8)	28,214	38,076
Advances payable (notes 9 and 16)	9,199	8,890
Asset retirement obligations (note 10)	5,311	4,846
Future income taxes	5,809	2,288
	93,235	120,353
Shareholders' Equity		
Share capital (note 11)	329,197	293,910
Contributed surplus (note 12)	5,286	4,797
Deficit	(86,976)	(104,387)
	247,507	194,320
	340,742	314,673

Approved by the board of directors,

Jean Lamarre, Director

Benoit La Salle, Director

Consolidated Statements of Deficit and Comprehensive Income

(unaudited, expressed in thousands of U.S. dollars)

Consolidated Deficit

	Three-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
	$	$	$	$
Balance – beginning of period	(95,485)	(130,098)	(104,387)	(142,600)
Share issue expense	(2,212)	-	(2,212)	-
Net income for the period	10,721	11,681	19,623	24,183
Balance – end of period	(86,976)	(118,417)	(86,976)	(118,417)

Consolidated Comprehensive Income

	Three-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
	$	$	$	$
Net income for the period	10,721	11,681	19,623	24,183
Other components of comprehensive income				
• Net variation on the latent gain on available-for-sale financial assets	-	145	-	(257)
Comprehensive income	10,721	11,826	19,623	23,926

Consolidated Statements of Operations

(unaudited, expressed in thousands of U.S. dollars)

	Three-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
	$	$	$	$
Revenue – Gold sales	58,646	44,826	108,141	70,366
Expenses				
Mining operations	29,320	22,582	56,835	39,711
Amortization of property, plant and equipment	9,485	5,909	17,675	9,300
Administration	2,701	2,424	5,221	4,575
Accretion expense of asset retirement obligations (note 10)	97	89	194	157
	41,603	31,004	79,925	53,743
Operating income	17,043	13,822	28,216	16,623
Interest, financing fees and other income	116	(91)	536	(428)
Interest on long-term debt	1,301	1,380	2,732	1,734
Stock-based compensation	195	315	501	666
Change to the fair value of derivative financial instruments (note 13)	1,424	(65)	1,366	7,742
Gain on disposal of investment in subsidiaries (note 6 b)	-	-	-	(17,849)
Loss on disposal of portfolio investments	-	306	-	306
Foreign exchange loss (gain)	750	(278)	(63)	(305)
Net income before taxes	13,257	12,255	23,144	24,757
Future income tax expense	2,536	574	3,521	574
Net income for the period	10,721	11,681	19,623	24,183
Basic and diluted net income per share	0.05	0.05	0.08	0.11

Consolidated Statements of Cash Flows

(unaudited, expressed in thousands of U.S. dollars)

	Three-month period ended June 30		Six-month period ended June 30	
	2009	2008	2009	2008
	$	$	$	$
Cash flows from :				
Operating activities				
Net income for the period	10,721	11,681	19,623	24,183
Adjustment for :				
Change to fair value of derivative financial instruments	1,424	(65)	1,366	7,742
Loss on disposal of investment in portfolio investments	-	306	-	306
Amortization of property, plant and equipment	9,485	5,909	17,675	9,300
Amortization of stripping costs	192	130	293	178
Stock-based compensation	195	315	501	666
Accretion expense of asset retirement obligations	97	89	194	157
Amortization of deferred transaction costs	239	299	470	364
Gain on disposal of investment in subsidiaries	-	-	-	(17,849)
Unrealized foreign exchange loss (gain)	555	66	301	(194)
Future income taxes	2,536	574	3,521	574
	25,444	19,304	43,944	25,427
Changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations (note 14 a)	(10,836)	(3,050)	(13,676)	(4,760)
	14,608	16,254	30,268	20,667
Financing activities				
Reimbursement of long-term debt	(7,594)	(2,634)	(12,801)	(4,018)
Term facility, net of transaction costs	-	-	-	4,250
Issuance of share capital	35,270	4	35,275	32
Share issue expenses	(2,212)	-	(2,212)	-
	25,464	(2,630)	20,262	264
Investing activities				
Additions to assets under construction	-	-	-	(11,523)
Acquisition of mining assets	-	(1)	-	(1,434)
Disposal of portfolio investments	-	662	-	662
Financial instruments settled	(8,625)	(6,493)	(15,483)	(12,592)
Additions to property, plant and equipment	(8,803)	(11,409)	(15,429)	(14,179)
Decrease in restricted cash	1,250	-	1,250	-
	(16,178)	(17,241)	(29,662)	(39,066)
Change in cash and cash equivalents during the period	23,894	(3,617)	20,868	(18,135)
Cash and cash equivalents – beginning of period	20,416	15,526	23,442	30,044
Cash and cash equivalents – end of period	44,310	11,909	44,310	11,909

(unaudited, expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars)

1 Basis of presentation

These consolidated interim unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles. These consolidated interim unaudited financial statements do not include all disclosures required under Canadian generally accepted accounting principles for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2008.

The preparation of the consolidated financial statements compliant with generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented have been reflected in the consolidated interim unaudited financial statements.

Those consolidated interim unaudited financial statements were prepared using the same accounting policies in application for the consolidated financial statements as of December 31, 2008, with the exception of the modifications specified below.

2 Incorporation and nature of activities

SEMAFO inc. (the « company ») was incorporated under Part IA of the Quebec Companies Act.

The company, its subsidiaries and its joint venture are engaged in gold mining activities including exploration, development and operations. These activities are conducted in West Africa. The company and its subsidiaries presently own and operate three gold mines in Burkina Faso, Niger and Guinea. The operating results of the Mana project in Burkina Faso were capitalized to assets under construction up to the start of the commercial production on April 1, 2008. Since that date, the operating results have been recognized in the statements of operations.

The company, its subsidiaries and its joint venture have interests in mining properties currently at the operation and the exploration or development stage. Certain of these properties are in the process of evaluation to determine the economics of putting them into production. The potential for recovery of costs incurred on these properties and of related deferred charges depends on the existence of sufficient quantities of reserves, obtaining all required permits, the company's ability to obtain appropriate financing to put these properties into production, and the ability to realize a profitable return for the company.

3 Accounting policies modification

Effective January 1, 2009, the company adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants ('CICA') addressing "Goodwill and Intangible Assets" and "Mining Exploration Costs".

Goodwill and Intangible Assets

In January 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets". This section establishes standards for the recognition, measurement, presentation and the disclosure of goodwill and intangible assets. The primary reason for the issuance of this new standard is to provide clarity on the recognition and measurement of internally developed intangible assets, including research and development costs. Section 3064 reinforces a principle-based approach whereby assets are only accounted for if they meet the definition of an asset and the criteria for such classification the standard was applied prospectively. The company has adopted these requirements effective January 1, 2009. The adoption of this new accounting standard does not have any impact on the consolidated interim unaudited financial statements.

Mining Exploration Costs

Effective January 1, 2009, the company adopted the new accounting recommendations contained in EIC-174 "Mining Exploration Costs" published in March 2009 by the Emerging Issues Committee of the CICA. The EIC provides guidance on the accounting and the impairment review of exploration costs. The application of this EIC does not have any impact on the consolidated interim unaudited financial statements.

4 Inventories

	As at June 30, 2009 $	As at December 31, 2008 $
Doré bars	4,943	1,865
Gold in circuit	5,711	7,525
Stockpiles	9,120	9,203
Supplies and spare parts	33,235	30,559
	53,009	49,152

The cost of inventory that was charged to expense represents all mining operations expense and essentially all of the amortization of property, plant and equipment.

5 Other short-term assets

	As at June 30, 2009 $	As at December 31, 2008 $
Prepaid expenses	5,431	3,501
Fair value of derivative financial instruments (note 13)	22	45
	5,453	3,546

(unaudited, expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars)

6 Property, plant and equipment

	As at June 30, 2009			As at December 31, 2008		
	Cost $	Accumulated depreciation $	Net $	Cost $	Accumulated depreciation $	Net $
Property, plant and equipment – producing properties:						
Property acquisition costs, deferred exploration and development costs	153,114	58,177	94,937	149,225	48,530	100,695
Buildings and equipment related to mining production	108,282	28,162	80,120	100,631	21,445	79,186
Mining equipment	25,337	6,236	19,101	22,674	4,611	18,063
Rolling stock, communication and computer equipment	8,373	5,562	2,811	8,161	5,107	3,054
Stripping costs (a)	2,934	745	2,189	1,607	452	1,155
	298,040	98,882	199,158	282,298	80,145	202,153
Property, plant and equipment – exploration properties (b)	827	-	827	827	-	827
Total property, plant and equipment	298,867	98,882	199,985	283,125	80,145	202,980

a) Reconciliation of capitalized stripping costs is as follows:

	Six-month period ended June 30, 2009 $
Balance – beginning of period	1,155
Stripping costs capitalized	1,327
Amortization	(293)
Balance – end of period	2,189

6 Property, plant and equipment (continued)

b) Exploration properties comprise wholly owned mining rights, undivided interests in properties and deferred exploration and development costs.

	As at June 30, 2009 $	As at December 31, 2008 $
Burkina Faso (Datambi)	827	827
	827	827

Royalties will be paid if commercial operations are attained.

The following table sets forth the evolution of the costs capitalized to exploration properties:

	Six-month period ended June 30, 2009 $	Twelve-month period ended December 31, 2008 $
Balance – beginning of period	827	16,583
Increase in deferred exploration costs related to the projects –		
Mana	-	834
Datambi	-	2
Increase in deferred development costs related to the Energy projects	-	1,012
Transfer to property, plant and equipment – producing properties i)	-	(15,453)
Disposal of Energy – Projects ii)	-	(2,151)
Balance – end of period	827	827

i) The exploration property assets of the Mana project in the amount of $15,453,000 were transferred to property, plant and equipment – producing properties on April 1, 2008.

ii) In February 2008, the company completed a transaction with Govi High Power Exploration Inc. ("GoviEx"), a private company, aimed at combining the companies' interests in uranium mining projects (Energy – Projects). As part of this transaction, the company sold all of its shares in its subsidiary SEMAFO Energy (Barbados) Limited in consideration for approximately 12% of GoviEx's outstanding shares at the transaction date. This transaction resulted in a non-cash gain of $17,849,000 in the first quarter of 2008.

(unaudited, expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars)

7 Investment and other assets

	As at June 30, 2009 $	As at December 31, 2008 $
Investment in GoviEx and a related company of GoviEx, at cost (note 6 b ii)	19,600	19,600
Fair value of derivative financial instruments (note 13)	1,140	2,020
Other	3,315	3,566
	24,055	25,186

8 Long-term debt

Long-term debt consists of the following:

	As at June 30, 2009 $	As at December 31, 2008 $
Bank loan of $12,500,000, repaid in full in June 2009	-	2,500
Bank loan of $20,000,000, bearing interest at 8.50% payable quarterly, principal repayable in thirteen quarterly installments of $1,250,000 starting September 30, 2007 and a final payment of $3,750,000 on December 31, 2010, secured by a pledge of certain assets and by an assignment of claims of certain inter company advances.	10,000	12,500
Term facility of $45,000,000, bearing interest at 7.62% payable quarterly, principal repayable in twelve equal quarterly installments starting March 31, 2009. The facility is secured by a pledge of shares of a subsidiary and a pledge of assets. The facility is also secured by pledges and assignments of bank accounts, inter company advances and other intangibles. [1)]	37,500	45,000
Other loans (denominated in euros, bearing interest at rates between 8.85% and 10.00%)		
Historical amount	1,715	2,016
Exchange rate fluctuation	(8)	-
Long-term debt	49,207	62,016
Deferred transaction costs	(1,080)	(1,550)
Long-term debt, net of deferred transaction costs	48,127	60,466
Current portion of long-term debt	19,913	22,390
Long-term portion of long-term debt	28,214	38,076

[1)] The company is required to maintain a cash balance of $3,750,000 in a distinct account until the full repayment of the loan.

8 Long-term debt (continued)

The aggregate amount of the long-term debt payments required in each of the next five calendar years is as follows:

	$
2009	10,284
2010	22,938
2011	15,179
2012	179
2013 onwards	627
	49,207

9 Advances payable

	As at June 30, 2009 $	As at December 31, 2008 $
Advances payable to a minority interest [1] (note 16)	6,192	5,883
Advance payable to the Republic of Niger [2]	3,007	3,007
	9,199	8,890

The Republic of Niger has a 20% ownership interest in a subsidiary of the company.

Under the mining agreement, the Republic of Niger is entitled to receive a reimbursement for its exploration costs previously incurred on the Samira Hill project. These costs will be repaid from the operating surplus of the subsidiary, the owner of the Samira Hill permit.

1) These advances are non-interest bearing and have no specific terms of repayment. From these advances, $5,400,000 ($5,557,000 in 2008) is denominated in Canadian dollars.

2) This advance is non-interest bearing.

(unaudited, expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars)

10 Asset retirement obligations

The company's operations are governed by mining agreements covering the protection of the environment. The company conducts its operations in such a manner as to protect public health and environment. The company will implement progressive measures for rehabilitation work during the operation, closing down and follow-up work upon closing of the mines, in accordance with its mining agreements. Consequently, the company accounted for its asset retirement obligations of the mining sites using cost estimates. Those estimates are subject to changes following modifications to laws and regulations or as new information becomes available.

The table below presents the evolution of asset retirement obligations for the period.

	Six-month period ended June 30, 2009 $	Twelve-month period ended December 31, 2008 $
Balance – beginning of period	4,846	4,408
Increase due to accretion expense	194	452
New liabilities	289	773
Revision of estimated cash flows	-	(755)
Liabilities paid off	(18)	(32)
Balance – end of period	5,311	4,846

The estimated undiscounted cash flow required to settle the asset retirement obligations is $6,528,000. The disbursements are expected to be made during the years from 2009 to 2017. An 8% discount rate was used to evaluate those obligations.

11 Share capital

Authorized

Unlimited number of common shares without par value

Unlimited number of Class "A" preferred shares, no par value, non-voting, non-participating and redeemable at the option of the holder at a price of $0.28 (CA $0.33) per share

Unlimited number of Class "B" preferred shares, no par value, non-voting, non-participating and redeemable at the option of the company at a price of $0.10 (CA $0.12) per share

Movements in the company's share capital are as follows:

	Six-month period ended June 30, 2009		Twelve-month period ended December 31, 2008	
	Number (in thousands)	Amount $	Number (in thousands)	Amount $
Common shares				
Balance – beginning of period	232,706	292,455	213,465	273,622
Issued and paid in cash	17,850	35,237	19,205	18,782
Issued for exercises of options	30	50	36	51
Balance – end of period	250,586	327,742	232,706	292,455
Warrants				
Balance – beginning of period	1,800	1,455	3,019	2,060
Expired	-	-	(1,219)	(605)
Balance – end of period	1,800	1,455	1,800	1,455
Common shares and warrants	252,386	329,197	234,506	293,910

11 Share capital (continued)

On June 23, 2009, the company closed a public offering of 17,850,000 common shares at $1.97 (CA $2.27) per share, for gross proceeds of $35,237,000 (CA $40,519,500). Share issue expenses related to this public offering totaled $2,212,000.

On December 30, 2008, the company closed a public offering of 19,205,000 common shares at $0.98 (CA $1.20) per share, for gross proceeds of $18,782,000 (CA $23,046,000). Share issue expenses related to this public offering totaled $1,316,000.

Warrants

Warrants outstanding as at June 30, 2009:

Expiration date	Exercise price	Number of warrants
July 2011	$1.94 (CA $2.25)	800,000
February 2012	$1.72 (CA $2.00)	1,000,000
		1,800,000

Options

A total of 835,000 new options were issued to employees, officers, consultants and directors of the company during the six-month period ended June 30, 2009 (1,650,000 for the same period in 2008). The fair market value of these new options is evaluated at $751,000 (CA $903,000).

A total of 30,000 options were exercised during the six-month period ended June 30, 2009 under the Plan for a cash consideration of $38,000 (CA $44,000). An amount of $12,000 from these options has been reclassified from contributed surplus to share capital.

The following presents the assumptions used to establish the fair value assigned to the options issued using the Black-Scholes valuation model:

	Six-month period ended June 30, 2009	Twelve-month period ended December 31, 2008
Average dividend per share	0%	0%
Forecasted volatility	60%	40%
Risk-free interest rate	1.69%	3.30%
Expected life	5 years	5 years
Fair value – weighted average of options issued	$0.90	$0.53

(unaudited, expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars)

11 Share capital (continued)

The following table sets forth the options granted to employees, officers, consultants and directors as part of their remuneration under the Plan:

	Six-month period ended June 30, 2009		Twelve-month period ended December 31, 2008	
	Number of options (in thousands)	Weighted average exercise price ($)	Number of options (in thousands)	Weighted average exercise price ($)
Balance – beginning of period	7,417	1.48 (CA $1.81)	6,578	1.97 (CA $1.94)
Expired	-	-	(25)	1.43 (CA $1.75)
Forfeited	(437)	1.50 (CA $1.75)	(900)	1.50 (CA $1.84)
Exercised	(30)	1.25 (CA $1.45)	(36)	0.86 (CA $1.05)
Issued	835	1.79 (CA $2.08)	1,800	1.09 (CA $1.33)
Balance – end of period	7,785	1.59 (CA $1.85)	7,417	1.48 (CA $1.81)
Options exercisable – end of period	3,812	1.68 (CA $1.95)	2,741	1.59 (CA $1.95)

12 Contributed surplus

The contributed surplus account is composed of:

	Six-month period ended June 30, 2009 $	Twelve-month period ended December 31, 2008 $
Balance – beginning of period	4,797	3,022
Exercised options	(12)	(16)
Stock-based compensation cost	501	1,186
Expired warrants	-	605
Balance – end of period	5,286	4,797

13 Financial instruments

Fair market value

The gold sales contracts, gold purchase contracts and put options did not qualify for hedge accounting. Consequently, changes in the fair value of these derivative financial instruments are recognized in net earnings. The company recorded a loss of $1,424,000 during the second quarter of 2009 and a loss of $1,366,000 during the first six months of 2009 following the change in the fair value of derivative financial instruments.

The following table sets forth the changes in the fair value of the derivative instruments accounted for in the consolidated financial statements.

	Three-month period ended June 30, 2009		Six-month period ended June 30, 2009	
	Asset	Liability	Asset	Liability
	$	$	$	$
Fair value at beginning of period (calculated using a market price of $921 per ounce as at March 31, 2009 and $881 per ounce as at December 31, 2008)	2,430	(8,469)	2,065	(15,020)
Financial instruments settled				
Gold sales contracts (a)	-	8,648	-	15,498
Interest rate swap (a)	-	(23)	-	(15)
Changes to fair value recognized in results	(1,268)	(156)	(903)	(463)
Fair value at end of period (calculated using a market price of $929 per ounce as at June 30, 2009)	1,162	-	1,162	-
Current portion of derivative financial instruments	22	-	22	-
Long-term portion of derivative financial instruments	1,140	-	1,140	-

Short-term financial assets and liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities.

The investment in GoviEx is valued at cost which is considered below its fair value.

The carrying value of long-term debt bearing interest at fixed rates is $49,207,000 and is considered to approximate fair value.

(unaudited, expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars)

13 Financial instruments (continued)

a) Gold sales contracts, gold purchases contracts and interest-rate swap

The Company closed-out its hedging program by settling gold sales contracts representing 26,000 ounces for a total amount of $15,498,000 during the first six-month period of 2009 and 14,500 ounces for $8,648,000 during the three-month period ended June 30, 2009. As a result, the Company no longer has derivative financial instruments of this nature.

b) Put options

In 2007, the company implemented a 55,000 ounces gold price put protection program for the Mana mine, which was a requirement under the $45,000,000 debt facility (note 8).

The company purchased put options allowing it to price-protect at a minimum price of $600 per ounce for 55,000 ounces of gold broken down on a monthly basis as follows: 5,000 ounces in 2009 (July to December), 5,000 ounces in 2010 and 45,000 ounces in 2011. Consequently, the entire production will be available to be sold at spot prices and fully exposed to any upward increase in the gold price with the downward price protected at $600 per ounce on 55,000 ounces.

The cost of the options totalled $1,000,000 in 2007 and is valued at $1,162,000 on June 30, 2009.

14 Financial information included in consolidated statements of cash flows

a) Changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations

	Three-month period ended June 30		Six-month period ended June 30	
	2009 $	2008 $	2009 $	2008 $
Accounts receivable	(6,651)	2,559	(4,813)	4,441
Prepaid expenses	(53)	1,796	(1,930)	(551)
Inventories	(3,003)	(8,787)	(3,112)	(11,045)
Other assets	183	(257)	251	(172)
Accounts payable and accrued liabilities	(1,296)	1,655	(4,054)	2,588
Settlement of liabilities related to asset retirement obligations	(16)	(16)	(18)	(21)
	(10,836)	(3,050)	(13,676)	(4,760)

b) Supplemental information on items not affecting cash and cash equivalents

	Three-month period ended June 30		Six-month period ended June 30	
	2009 $	2008 $	2009 $	2008 $
Unrealized foreign exchange loss (gain) on advances payable	460	66	309	(194)
Amortization of property, plant and equipment allocated to exploration	10	15	24	28
Amortization of property, plant and equipment allocated to assets under construction	-	-	-	190
Net effect of amortization of property, plant and equipment allocated to inventories	(775)	1,461	(745)	1,862
New asset retirement obligations allocated to property, plant and equipment	152	208	289	401

c) Cash flows related to interest

	Three-month period ended June 30		Six-month period ended June 30	
	2009 $	2008 $	2009 $	2008 $
Interest paid during the period	1,166	1,027	2,329	2,265

(unaudited, expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars)

15 Segmented information

The company is conducting exploration and production activities on different sites in Burkina Faso, Niger and Guinea. These sites are managed separately given their different locations and laws.

					Three-month period ended June 30, 2009
	Mana Mine, Burkina Faso $	Samira Hill Mine, Niger $	Kiniero Mine, Guinea $	Corporate and others $	Total $
Revenue – Gold sales	34,209	15,654	8,783	-	58,646
Operating expenses	13,096	11,251	4,973	-	29,320
Amortization of property, plant and equipment	5,873	2,123	1,467	22	9,485
Administration	186	392	459	1,664	2,701
Accretion expense of asset retirement obligation	28	44	25	-	97
Operating income (loss)	**15,026**	**1,844**	**1,859**	**(1,686)**	**17,043**

					Three-month period ended June 30, 2008
Revenue – Gold sales	10,597	18,138	16,091	-	44,826
Operating expenses	4,945	11,094	6,543	-	22,582
Amortization of property, plant and equipment	1,569	2,139	2,168	33	5,909
Administration	184	443	198	1,599	2,424
Accretion expense of asset retirement obligation	21	37	31	-	89
Operating income (loss)	**3,878**	**4,425**	**7,151**	**(1,632)**	**13,822**

15 Segmented information (continued)

The company is conducting exploration and production activities on different sites in Burkina Faso, Niger and Guinea. These sites are managed separately given their different locations and laws.

	Mana Mine, Burkina Faso $	Samira Hill Mine, Niger $	Kiniero Mine, Guinea $	Corporate and others $	Six-month period ended June 30, 2009 Total $
Revenue – Gold sales	62,675	26,313	19,153	-	108,141
Operating expenses	26,371	19,919	10,545	-	56,835
Amortization of property, plant and equipment	10,870	3,533	3,229	43	17,675
Administration	460	802	995	2,964	5,221
Accretion expense of asset retirement obligation	56	88	50	-	194
Operating income (loss)	**24,918**	**1,971**	**4,334**	**(3,007)**	**28,216**
Property, plant and equipment	119,875	49,996	29,593	521	199,985
Total assets	159,537	70,971	48,986	61,248	340,742

					Six-month period ended June 30, 2008
Revenue – Gold sales	10,597	32,056	27,713	-	70,366
Operating expenses	4,945	20,963	13,803	-	39,711
Amortization of property, plant and equipment	1,569	3,857	3,808	66	9,300
Administration	184	631	528	3,232	4,575
Accretion expense of asset retirement obligation	21	74	62	-	157
Operating income (loss)	**3,878**	**6,531**	**9,512**	**(3,298)**	**16,623**
Property, plant and equipment	119,357	50,825	32,137	474	202,793
Total assets	142,804	73,488	48,383	31,480	296,155

(unaudited, expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars)

16 Subsequent event

On July 22, the Company announced that it has acquired from Etruscan Resources inc. their minority interest in the Samira Hill mine located in Niger. The Company now holds an 80% interest in the mine with the balance held by the Government of Niger.

Etruscan's 40% participation in the operating subsidiary, comprised of preferred shares, loans and common shares, was purchased for $3,000,000 along with a 1.5% net smelter royalty. The royalty comes into effect after which time the mine has produced 750,000 ounces, calculated as from July 1, 2009.

This transaction will generate a $3,100,000 non-cash gain to the income statement in the third quarter of 2009 while reducing the advances payable by $6,100,000.