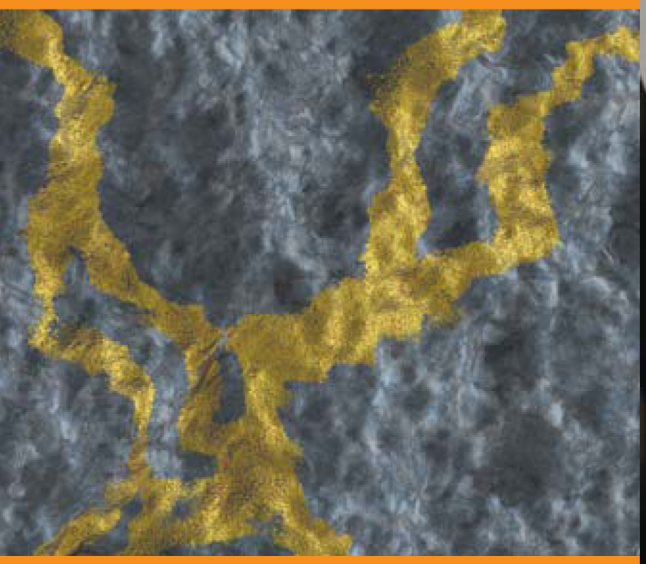
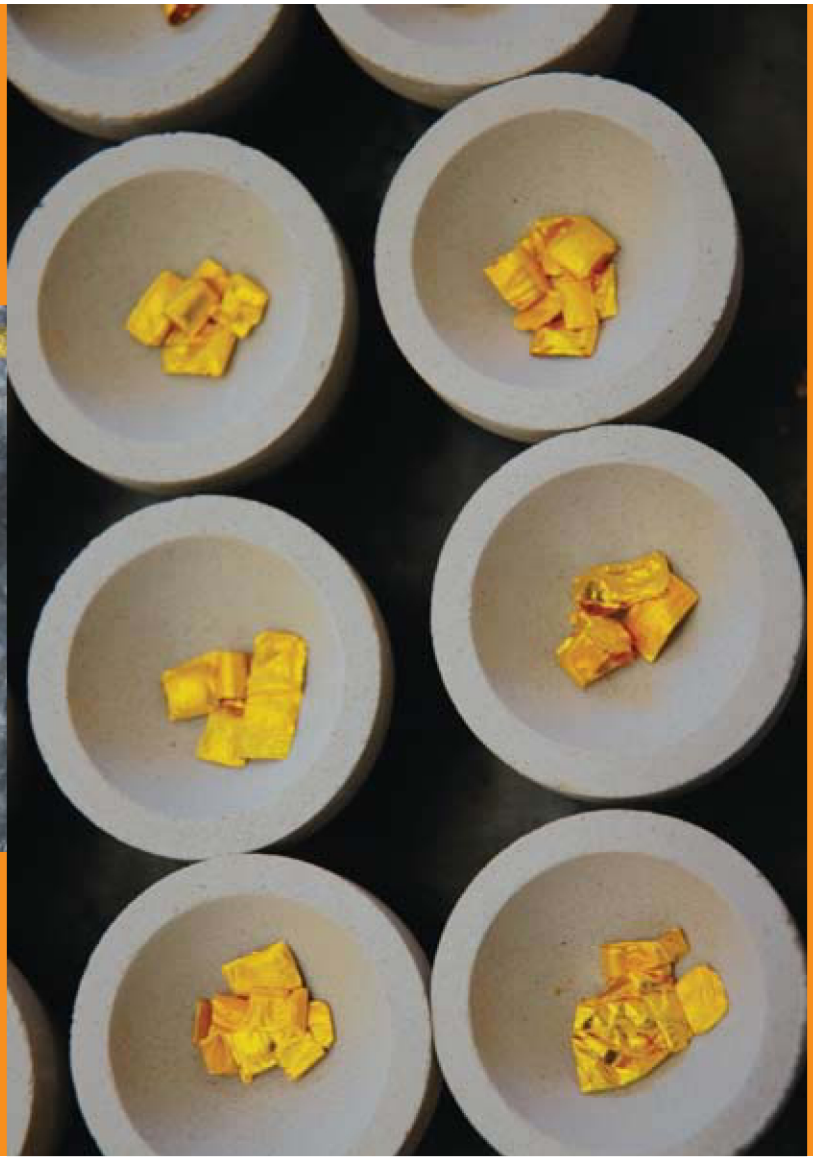
DISCIPLINED GROWTH





Second Quarter
For the period ended June 30, 2010

SEMAFO
INTERNATIONAL EXPERTISE
HUMAN ADVOCACY

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: the Mana Mine in Burkina Faso, the Samira Hill Mine in Niger and the Kiniero Mine in Guinea. SEMAFO is committed to evolve in a conscientious manner to become a major player in its geographical areas of interest. SEMAFO's strategic focus is to maximize shareholder value by effectively managing its existing assets as well as pursuing organic and strategic growth opportunities in West Africa.

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, 2010 compared to the corresponding period last year. This MD&A, prepared as of August 4, 2010, is intended to complement and supplement our Unaudited Interim Consolidated Financial Statements ("financial statements"). It should be read in conjunction with the MD&A for the period ended December 31, 2009, our audited annual consolidated financial statements for the year ended December 31, 2009 and notes thereto, together with our unaudited interim consolidated financial statements and notes thereto for the quarter ended June 30, 2010. Our financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing our results of operation and our financial performance.

Our financial statements 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.

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

1. Financial and Operating Highlights

	Three-month period ended June 30		Six-month period ended June 30	
	2010	2009	2010	2009
Gold ounces produced	**68,300**	64,100	**134,100**	122,200
Gold ounces sold	**72,000**	63,000	**129,200**	116,600
(In thousands of dollars, except amounts per ounce, per tonne and per share)				
Revenues – Gold sales	**87,085**	58,646	**150,660**	108,141
Operating income	**37,526**	17,043	**57,049**	28,216
Net income	**33,631**	10,721	**47,436**	19,623
Basic net income per share	**0.13**	0.05	**0.19**	0.08
Diluted net income per share	**0.13**	0.05	**0.18**	0.08
Cash flow from operating activities [1]	**42,210**	25,444	**68,667**	43,944
Operating cash flow per share [2]	**0.16**	0.11	**0.27**	0.19
Average selling price (per ounce)	**1,210**	931	**1,166**	927
Cash operating cost (per ounce produced) [3]	**426**	419	**441**	439
Cash operating cost (per tonne processed) [3]	**31**	31	**32**	31
Total cash cost (per ounce sold) [4]	**468**	465	**490**	487
Total cash margin (per once sold) [5]	**742**	466	**676**	440

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

[2] Operating cash flow per share is a non-GAAP measure. See the ''Non-GAAP Measures'' section of this MD&A.

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

[4] Total cash cost is a non-GAAP measure and represents the mining operating costs and government government royalties per ounce sold. See the ''Non-GAAP Measures'' section of this MD&A.

[5] Total cash margin is a non-GAAP measure and is calculated using the average realized price and the total cash cost.

A Word from the CEO

I am pleased to once again report strong financial and operational results for the second quarter of 2010. We posted significant year-over-year increases in revenue, operating income, net income, earnings per share and cash flow.

We produced 68,300 ounces of gold during the quarter, an increase of 7% over the second quarter 2009. We sold 72,000 ounces of gold during the quarter, representing an increase of 14% year-over-year. The variation in gold sales versus gold produced stems from a gold shipment that was delayed at the end of the first quarter to early in the second quarter. Gold sales totaled $87,085,000 for the quarter, 48% higher than the previous year. Our operating income increased by 120% to $37,526,000 and our net income increased by 214% to $33,631,000 or $0.13 per share, year-over-year. These results are net of royalties paid and taxes accrued to the countries in which we operate amounting to $9,600,000. In addition $5,300,000 of income taxes relating to 2009 were paid during the quarter to our host countries.

SEMAFO's average realized gold price for the quarter was $1,210 per ounce, $13 per ounce higher than the London Gold Fix (PM), and up $99 over the first quarter 2010. As a result of our successful gold selling strategy, our average realized gold price has surpassed the average London Gold Fix (PM) for a sixth consecutive quarter. We posted record quarterly cash flow from operations of $42,210,000 or $0.16 per share, up 66% year-over-year and 60% over the first quarter of 2010.

Amidst unrelenting global economic uncertainty, SEMAFO's liquidity and financial position remain strong. Through a bought-deal equity financing in June, we netted proceeds of $106,700,000 bringing our cash position to $178,000,000, which provides us with greater flexibility as we manage our business.

Our flagship Mana Mine continued to excel, with its best ever quarterly production of 45,700 ounces of gold, accounting for 67% of SEMAFO's total record production of 68,300 ounces of gold for the three-month period ended June 30, 2010. We continued to see progress in our organic growth strategy during the quarter, as our exploration programs delivered consistently impressive results. At the Mana Mine in Burkina Faso, ten drilling rigs were active on the property including core, reverse-circulation and auger (geochemical sampling) drilling, with exploration results that further attest to the property's excellent potential.

Deep drilling confirmed the strong potential to extend the Wona Deep Project, having returned results of up to 7.14 g/t Au over 13.5 meters. Follow-up reverse-circulation drilling identified the new Fofina Gold Zone and confirmed the continuity of the Kona mineralization from the Wona NE1 pit for more than one kilometer. Structures still remain open on strike and at depth. In the second quarter, we announced the receipt of the new Saoura exploration permit at Mana. This 248-km^2 permit takes our total footprint over the Houndé belt to 1,880 km^2 and increases our position on the structural corridor from 90 to 115 kilometers.

In June, we announced a 125% increase in reserves at Mana as the Wona Underground pre-feasibility results contributed to updated reserves as at April 30, 2010 for a total 1.7 million ounces. Our reserves at Mana have more than doubled, the underground potential is still open at depth and we have yet to include the results from the current Wona SW Zone. Metallurgical tests conducted on the Wona Underground revealed a 5% increase in hard rock recovery at Mana.

Given these outstanding exploration results and accelerated drilling program, we have allocated an additional $9,000,000 to Mana's exploration budget.

We are pleased with our second quarter performance as we continue to deliver on our promises and post strong financial and operational results. Moving forward, I believe that SEMAFO is well-positioned to further benefit from the positive gold price environment and continue our successful record of discovery, development and operations in our quest to deliver significant long-term value to our shareholders.

Benoit La Salle
President and Chief Executive Officer

SECOND QUARTER 2010 – HIGHLIGHTS

- Gold production of 68,300 ounces, a 7% increase over the same period last year
- Gold sales of $87,085,000, an increase of 48% compared to the same period last year
- Cash operating cost of $426 per ounce produced, compared to $419 for the same period in 2009
- Operating income of $37,526,000, an increase of 120% compared to the same period in 2009
- Net income of $33,631,000 or $0.13 per share, an improvement of 214% over the same period last year
- Quarterly cash flow from operating activities of $42,210,000 or $0.16 per share compared to $25,444,000, an increase of 66% over the same period last year
- Continued exploration success at Mana
- Increase of 125% of our mineral reserves at Mana, representing 961,000 ounces
- Completion of a $113,018,000 (C$119,887,500) equity financing
- Purchase of a new mining fleet for the Samira Hill Mine

2010 – OBJECTIVES[1]

Maximize Value

- Pursue aggressive at-depth and on-surface exploration programs at the Mana Mine
- Complete Wona Deep feasibility study to commence development
- Initiate an aggressive two-year $6,000,000 exploration program at the Samira Hill Mine

Disciplined Growth

- Achieve production of between 235,000 and 260,000 ounces of gold in 2010
- Increase plant capacity at the Mana Mine to up to 6,000 tonnes-per-day in bedrock
- Improve production efficiencies, particularly at the Samira Hill Mine
- Maintain stable production at the Kiniero Mine
- Attract and retain best mining talent

Responsible Mining

- Minimize our environmental footprint
- Continue corporate philanthropy program, donating 2% of net income to support *Fondation SEMAFO*
- Support government initiatives in host countries
- Increase employee training and development programs

[1] These statements are forward-looking. For more information on forward-looking statements, see note 17.

Exploration Programs

Burkina Faso

SEMAFO approved an initial investment of $9,200,000 for the 2010 exploration program at Mana, to include approximately 18,000 auger drilling sample points, ground geophysics, geological mapping, 20,000 meters of reverse-circulation ("RC") drilling, and 25,000 meters of core drilling. Given the outstanding exploration results and accelerated drilling program, we have allocated an additional $9,000,000 to Mana's exploration program. The exploration program remains focussed on the advancement of early stage targets as well as the Wona Deep Deposits.

During the second quarter, auger drilling geochem exploration was active over grids: Zina Blé, Wona SW, Y1, B1, B2, B3 and BC1 (Figure 1). RC/air core ("AC") follow up on auger drilling was initiated and SEMAFO announced the discovery of several new gold mineralized zones confirming the effectiveness of our systematic exploration methodology.

Fofina Zone

The first RC drilling results from the new Fofina Zone returned gold values of up to 4.12 g/t Au over 30 meters, including 9.12 g/t Au over 10 meters. The discovery stems from this year's ongoing exploration program at Mana, which currently includes core drilling (3 rigs), RC drilling (2 rigs) and auger drilling for geochemical sampling (5 rigs).

Following a first grid of RC drilling on 1,000-meter sections, four major gold bearing zones were intersected. Early results show the new Fofina Zone as having similar geological settings to the Wona deposit, but demonstrating high grades comparable to Nyafé. Zones V1, V2, V3, V4 and Other Veins resemble the Nyafé Deposit in structure and grade.

The Fofina Zone is located within a 50-meter wide deformation zone situated at the contact of a sequence of shale and minor volcanoclastic rocks, and intermediate to mafic volcanic flows. The deformation zone is characterized by strong sericite-silica alteration and pyrite-arsenopyrite mineralization. Most of the sericite-silica alteration is gold-bearing, including the steeply dipping zones of high grade gold values which demonstrate similarities to the Wona mineralization (Figure 2).

DDH No.	Zone	From	To	Au / Length**
MRC10-050	Fofina	114	138	**2.16 g/t / 24 m**
Including		114	127	**3.27 g/t / 13 m**
MRC10-051	Fofina	53	83	**4.12 g/t / 30 m**
Including		53	63	**9.12 g/t / 10 m**
MRC10-089	Fofina	139	153	**2.22 g/t / 14 m**
Including		150	153	**5.24 g/t / 3 m**
MRC10-090	Fofina	17	37	**1.00 g/t / 20 m**
Including		21	25	**2.36 g/t / 4 m**

** All lengths are measured along the hole axis; additional information is required to determine true widths.

In addition, the footwall volcanic rock sequence contains a series of shallowly dipping silicified zones and veins similar to the Nyafé mineralization with significant gold intercept values ranging up to 7.40 g/t Au over 5 meters and 5.48 g/t Au over 7 meters on Zone V1. Another similar type mineralization was also encountered on Zone V2, located 200 meters to the northeast (Figure 3). Assays obtained from Zone V3 returned intercepts such as 7.01 g/t Au over 4 meters, 10.32 g/t Au over 12 meters and 10.84 g/t Au over 9 meters.

DDH No.	Zone	From	To	Au / Length**
MRC10-052	V1	45	52	**5.48 g/t / 7 m**
Including		45	50	**7.40 g/t / 5 m**
MRC10-053	V1	7	8	**2.23 g/t / 1 m**
MRC10-090	V1	69	76	**1.99 g/t / 7 m**
Including		69	72	**3.62 g/t / 3 m**
MRC10-065	V2	31	32	**7.86 g/t / 1 m**
MRC10-083	V2	103	107	**3.18 g/t / 4 m**
MRC10-086	V2	39	40	**9.49 g/t / 1 m**
MRC10-067	V3	134	138	**7.01 g/t / 4 m**
Including		135	137	**12.63 g/t / 2 m**
MRC 10-068	V3	92	104	**10.32 g/t / 12 m (17.21 g/t* uncut)**
Including		93	97	**26.39 g/t / 4 m (47.04 g/t* uncut)**
MRC10-070	V3	44	53	**10.84 g/t / 9 m**
MRC10-071	V3	5	8	**1.09 g/t / 3 m**
MRC10-072	V4	86	87	**17.55 g/t / 1 m**
MRC10-073	V4	65	66	**5.29 g/t / 1 m**
MRC10-075	V4	10	12	**7.50 g/t / 2 m**
MRC10-054	Other Vein	36	39	**4.99 g/t / 3 m**
MRC10-054	Other Vein	88	90	**6.70 g/t / 2 m**
MRC10-055	Other Vein	56	57	**13.45 g/t / 1 m**
MRC10-056	Other Vein	38	42	**11.02 g/t / 4 m**
MRC10-056	Other Vein	48	50	**8.50 g/t / 2 m**

* All individual samples are cut at 30 g/t as per Nyafé Deposit procedures. This conservative approach will be applied until a statistically representative database has been collected in order to establish a specific cutting grade for this area.
** All lengths are measured along the hole axis; additional information is required to determine true widths.

The Fofina discovery is the result of follow-up RC drilling on an auger geochemical anomaly that returned gold values of up to 1.22 g/t Au. The anomaly FNW3 (ref. SEMAFO's press release dated April 14, 2010) (Figure 4) is the first of two auger drill anomalies being tested by RC drilling. The RC drill rig is currently active on the Fobiri block (FOB1 and FOB2), where auger drilling returned saprolite samples of up to 1.91 g/t Au. Other anomalies located on both the Fofina and Fobiri blocks will also be tested. A follow-up RC and core drilling program will ensue to establish the geometry and extent of the mineralization as well as to further understand its mode of occurrence, which demonstrates similarities to both the Wona and Nyafé deposits.

Vein geometry and distribution observed at Fofina may result from rheological differences bordering a volcanic center to the north of the discovery. A mapping program has been scheduled in order to validate and better understand the prevailing structural and lithological environments across the Fofina and Fobiri areas.

Wona Zone

As at June 30, and as part of our 2010 exploration program at Mana, 35 holes (WDC178 to WDC212) totaling 16,928 meters of drilling had been completed. Holes WDC190 to WDC193 were drilled for rock mechanics studies. Results up to hole WDC205 are presented in the following tables. Results for holes WDC178 to WDC189 were previously reported in SEMAFO's 2010 first quarter MD&A report.

Drill Results: Wona Main and Wona SW Zone

DDH No.	Zone	Section (N)	From	To	Au / Length**
WDC190	Wona Main	16825	258.1	318.4	**3.34 g/t / 60.3 m (4.80 g/t* uncut)**
WDC191	Wona Main	16750	188.0	262.0	**3.16 g/t / 74.0 m (3.95 g/t* uncut)**
WDC192	Wona Main	16925	142.3	206.0	**2.77 g/t / 63.7 m**
WDC193	Wona Main	16700	189.0	233.0	**4.53 g/t / 44.0 m (5.01 g/t* uncut)**
WDC194	Wona SW	16200	270.0	275.0	**1.66 g/t / 5.0 m**
WDC195	Wona SW	16000	199.6	202.6	**0.26 g/t / 3.0 m**
WDC196	Wona SW	16100	334.5	341.0	**4.07 g/t / 6.5 m**
Including			334.5	337.0	**7.81 g/t / 2.5 m**
WDC197	Wona SW	16100	331.0	341.2	**3.58 g/t / 10.2 m (4.76 g/t* uncut)**
Including			331.0	334.0	**8.94 g/t / 3.0 m (12.98 g/t* uncut)**
WDC198	Wona SW	15700	252.0	266.0	**3.90 g/t / 14.0 m**
WDC199	Wona SW	15800	324.0	336.9	**3.46 g/t / 12.9 m**
WDC200	Wona SW	15700	294.4	305.5	**3.66 g/t / 11.1 m (4.33 g/t* uncut)**
WDC201	Wona SW	16300	444.9	454.6	**2.39 g/t / 9.7 m**
WDC202	Wona SW	15900	351.0	357.0	**1.55 g/t / 6.0 m**
WDC203	Wona SW	16300	406.0	410.6	**1.40 g/t / 4.6 m**
WDC204	Assays Pending				
WDC205	Wona SW	16200	410.7	420.0	**3.43 g/t / 9.3 m**

* All individual samples are cut at 15 g/t as per Wona Deposit procedures.
** All lengths are measured along the hole axis; additional information is required to determine true widths.

The most recent results are primarily located at the south-western end (up-plunge) of the zone, where it is interpreted to reach the bottom of the Wona open pit. Holes WDC198 and WDC200 are the south-western-most holes drilled thus far along this zone, which remains open to the southwest as well at depth (Figure 5). Current exploration will further investigate the southwest, as well as deeper extensions. The Wona SW Zone appears to be continuously mineralized over a strike-length of at least 800 meters and it is believed that it joins the Main Zone locally, providing more than 1.5 kilometers of virtually continuous at-depth gold mineralization along strike.

The presence of parallel zones is becoming increasingly significant towards the southwest, showing areas of swelling with above average grades. Infill drilling will enable a more accurate interpretation as to their more discontinuous nature compared to the Wona Main and SW Zones. Furthermore, their proximity to the SW Zone and higher grade will increase the resource base in this area.

Drill Results: Parallel Zones Adjacent to Wona SW Zone

DDH No.	Zone	Section (N)	From	To	Au / Length**
WDC195	Parallel	16000	262.5	270.3	**4.02 g/t / 7.8 m (4.56 g/t* uncut)**
WDC196	Parallel	16000	408.0	412.5	**2.75 g/t / 4.5 m**
WDC198	Parallel	15700	174.0	182.0	**6.86 g/t / 8.0 m (14.98 g/t* uncut)**
WDC199	Parallel	15800	349.5	358.6	**2.77 g/t / 9.1 m**
WDC199	Parallel	15800	389.6	398.6	**2.82 g/t / 9.0 m**
WDC199	Parallel	15800	408.9	425.0	**3.74 g/t / 16.1 m (5.35 g/t* uncut)**
Including	Parallel		408.9	412.6	**9.56 g/t / 3.7 m (16.57 g/t* uncut)**
WDC201	Parallel	16300	507.3	514.0	**4.00 g/t / 6.7 m (15.91 g/t* uncut)**
WDC202	Parallel	15900	420.0	424.0	**3.28 g/t / 4.0 m**

* All individual samples are cut at 15 g/t as per Wona Deposit procedures.
** All lengths are measured along the hole axis; additional information is required to determine true widths.

The exploration results expressed above, combined with previous results from the same SW Zone lead to a significant increase in potential additional reserves for the underground operation and provided sufficient motivation to postpone the feasibility study results until early in the first quarter 2011, in order to include the Wona SW Zone results to the geological model. The additional time will allow for infill drilling over the SW Zone, at-depth drilling on the center and south of the Wona Main pit, as well as infill drilling of the Kona open pit potential. The combined results will be modeled and fully integrated in an updated life-of-mine planning, which will optimise the interface between both the underground and open pit mining operations, based on the optimal blending for mill feed. Deferring the feasibility study results in order to incorporate these new findings will substantially expand the magnitude of the underground project and once again increase the project's cash flow and internal rate of return. As well, given that the economic viability of an underground mining operation at Mana has been confirmed, the delay in issuing the feasibility study results will not impact our green light to commence project development.

Reserves Update

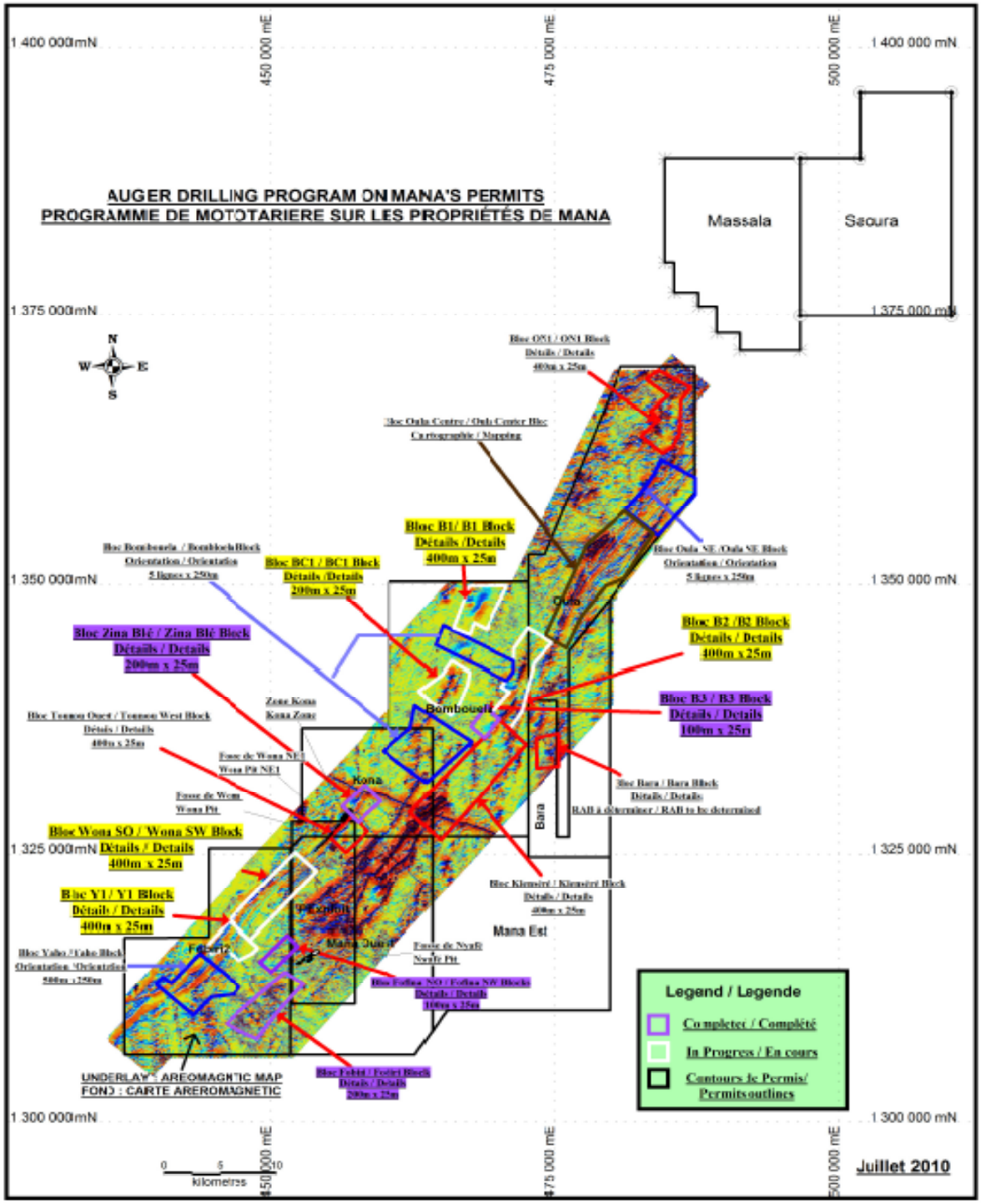
SEMAFO reported updated mineral reserves totaling 1.7 million ounces for its Mana Mine in Burkina Faso. The results of a pre-feasibility study ("PFS") of the Wona underground deposit combined with revised open pit reserves resulted in a 125% reserves increase, representing an additional 961,000 ounces at Mana. The increase in reserves is attributable to the addition of 850,000 ounces from the underground and 111,000 ounces from the open pit deposits. The PFS was conducted using SEMAFO's December 2009 resources model and is exclusive of all inferred resources and exploration work conducted to date in 2010. Wona open pit reserves were revised based on new economical and technical parameters to accommodate for the optimal interface between the open pit and underground operations.

Reserves include 7,920,000 tonnes at an average grade of 2.8 g/t Au for 707,000 ounces in the proven category and 10,517,000 tonnes at an average grade of 2.9 g/t Au for 958,000 ounces in the probable category.

April 30, 2010 Updated Mana Mineral Reserves by Sector

Sectors at Mana	Tons Ore	g/t Au	Oz Au
Filon 67	52,000	2.9	4,800
Nyafe Total	972,000	5.2	161,300
Wona Total O/P	7,889,000	2.5	632,900
Wona U/G	9,243,000	2.9	849,900
ROM Pad	282,000	1.8	16,100
TOTAL	**18,437,000**	**2.8**	**1,665,000**

Figure 1


AUGER DRILLING PROGRAM ON MANA'S PERMITS
PROGRAMME DE MOTOTARIERE SUR LES PROPRIÉTÉS DE MANA
1 400 000 mN
1 375 000 mN
1 350 000 mN
1 325 000 mN
1 300 000 mN
450 000 mE
475 000 mE
500 000 mE
Massala
Saoura
N
S
E
W
Bloc B1/ B1 Block
Détails /Details
400m x 25m
Bloc BC1 / BC1 Block
Détails /Details
200m x 25m
Bloc Zina Blé / Zina Blé Block
Détails / Details
200m x 25m
Bloc B2 /B2 Block
Détails / Details
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Bloc B3 / B3 Block
Détails / Details
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Bombouela
Kona
Bara
Mana Est
Bloc Wona SO / Wona SW Block
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Bloc Y1 / Y1 Block
Détails / Details
400m x 25m
UNDERLAYS AREOMAGNETIC MAP
FOND : CARTE ARERMAGNETIC
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Completed / Complété
In Progress / En cours
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Permits outlines
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kilometres
Juillet 2010

Figure 2

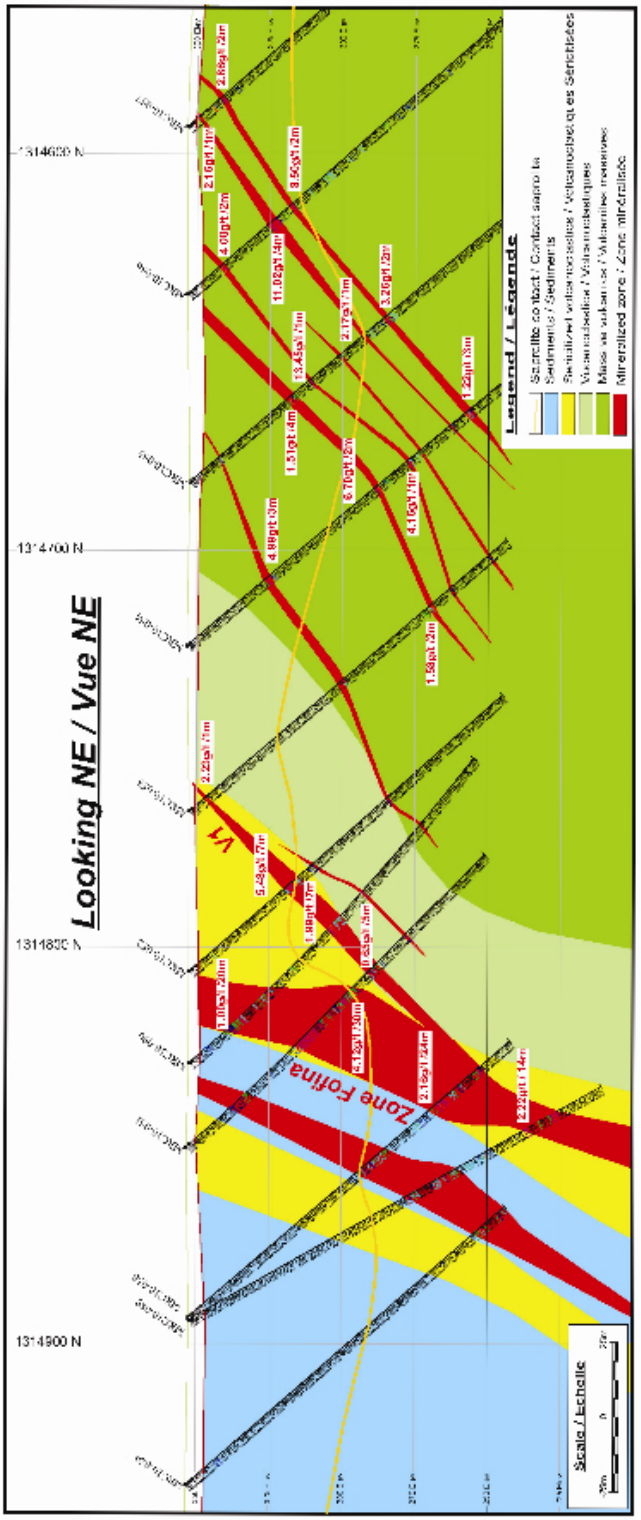
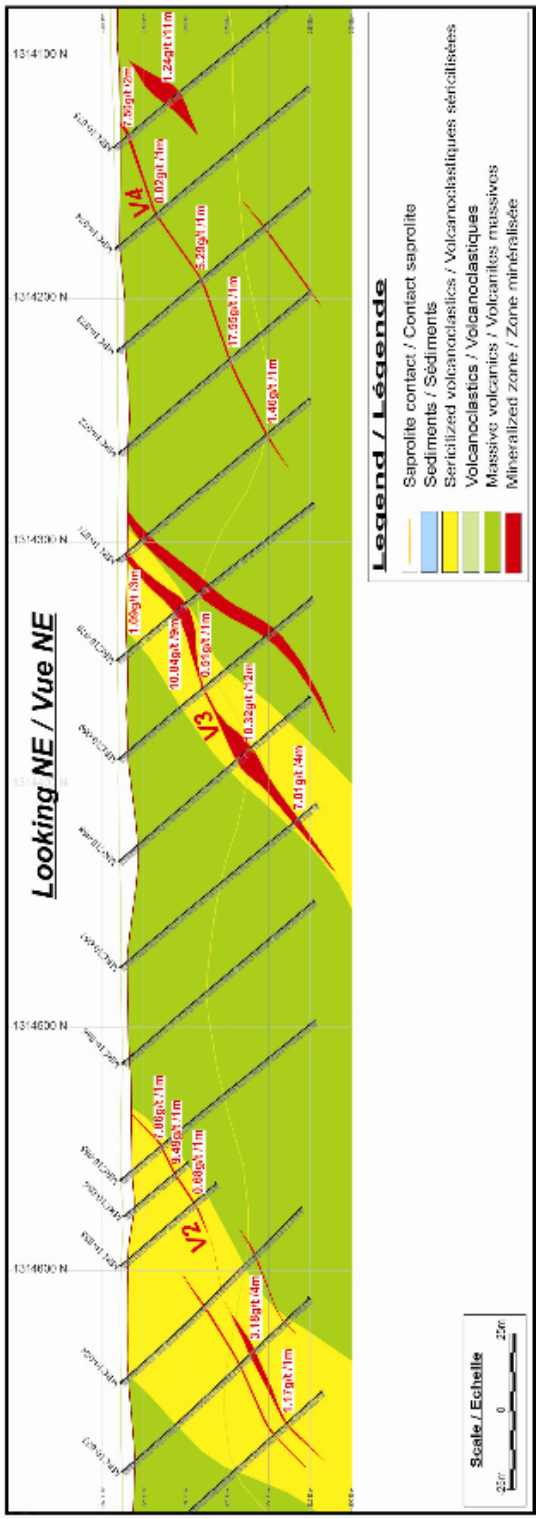


Figure 3



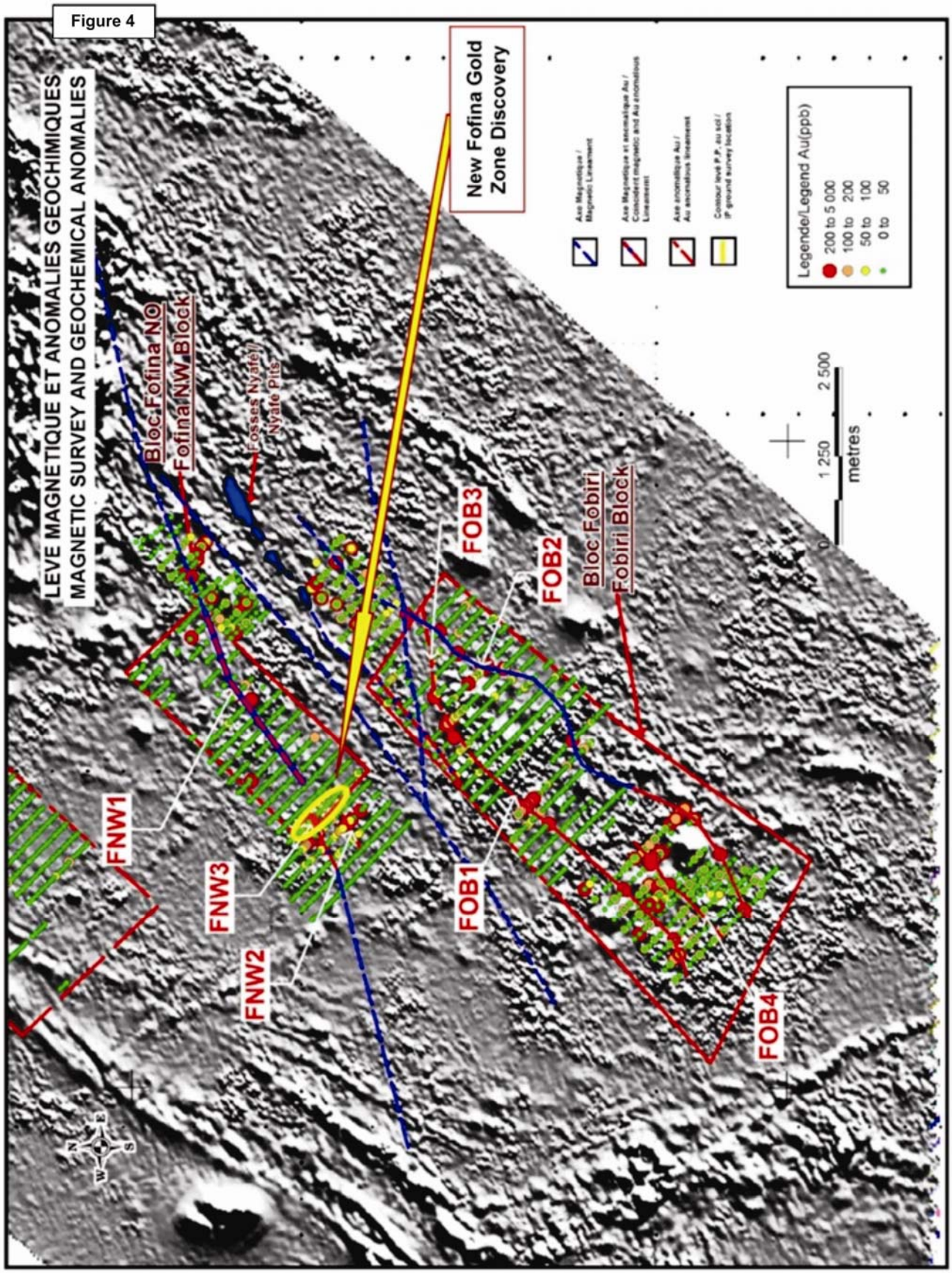
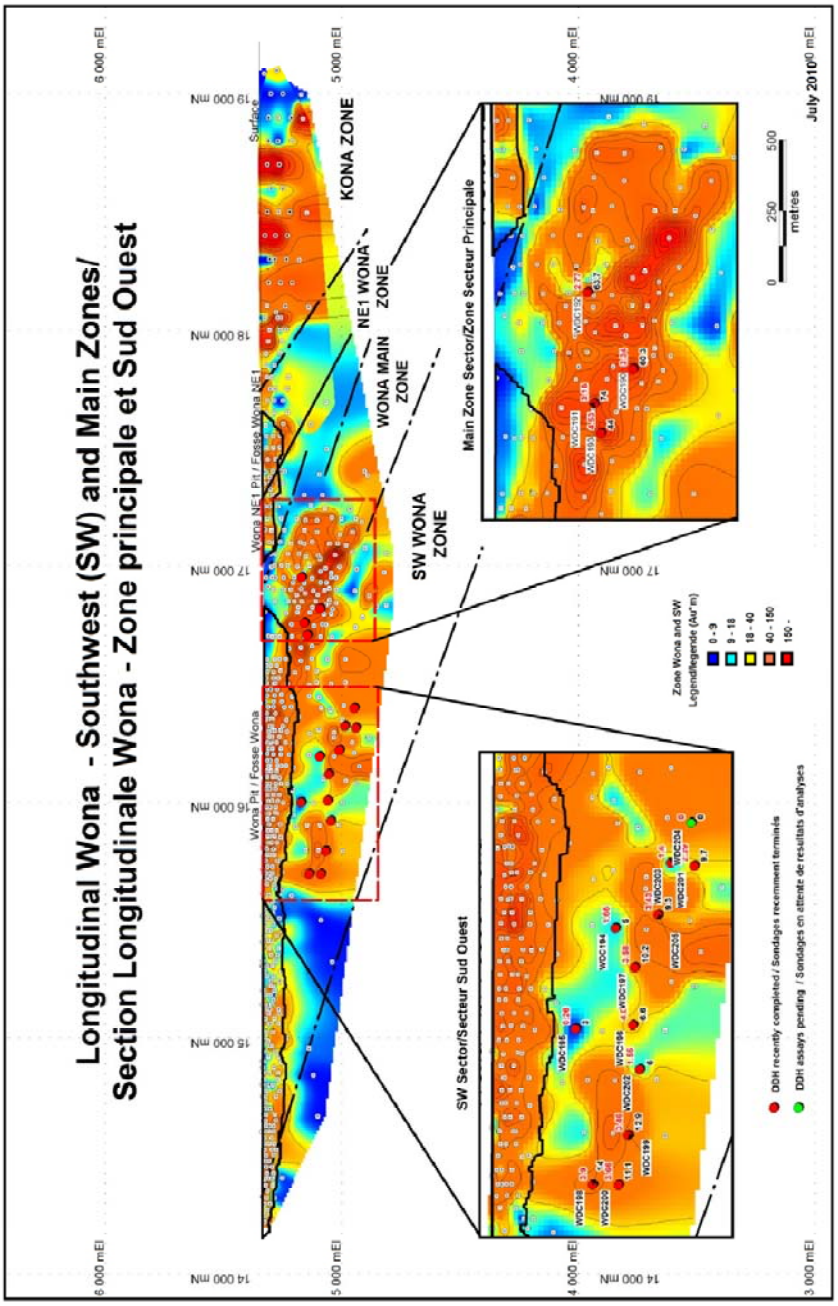


Figure 4
LEVE MAGNETIQUE ET ANOMALIES GEOCHIMIQUES
MAGNETIC SURVEY AND GEOCHEMICAL ANOMALIES
New Fofina Gold Zone Discovery
Bloc Fofina NO
Fofina NW Block
Losses Nyafe
Nyafe Pits
FNW1
FNW2
FNW3
FOB1
FOB2
FOB3
FOB4
Bloc Fobiri
Fobiri Block
Axe Magnetique / Magnetic Lineament
Axe Magnetique et anomalique Au / Coincident magnetic and Au anomalous Lineament
Axe anomalique Au / Au anomalous lineament
Contour level P.P., eu sol / IP ground survey location
Legende/Legend Au(ppb)
200 to 5 000
100 to 200
50 to 100
0 to 50
0
1 250
2 500
metres

Figure 5


Longitudinal Wona - Southwest (SW) and Main Zones/
Section Longitudinale Wona - Zone principale et Sud Ouest
KONA ZONE
NE1 WONA ZONE
WONA MAIN ZONE
SW WONA ZONE
Surface
Wona Pit / Fosse Wona
Wona NE1 Pit / Fosse Wona NE1
Main Zone Sector/Zone Secteur Principale
SW Sector/Secteur Sud Ouest
Zone Wona and SW
Legende/legende (Au/t in)
0 - 9
9 - 18
18 - 40
40 - 150
150 -
DDH recently completed / Sondages recemment terminés
DDH assays pending / Sondages en attente de resultats d'analyses
0
250
500
metres
July 2010
6 000 mEl
5 000 mEl
4 000 mEl
3 000 mEl
14 000 mN
15 000 mN
16 000 mN
17 000 mN
18 000 mN
19 000 mN

Niger

A two-year exploration budget of $6 million was approved for the Samira Hill Mine. Auger and RC drilling programs were established based on the compilations of former IP and magnetic geophysics, geochemistry, drilling and mapping, combined with a recent special geological-structural map realised by Dr Damien Gaboury. Although the main focus remains the Samira Horizon, conclusions reveal new potential from interpreted structural thickening by stacking of favourable aggregation of stratigraphic complex in specific structural conditions.

Auger drilling was carried out mainly over the Boulon Jounga area (242 holes) during the second quarter. A total of 710 holes were drilled over the Boulon Jounga area year-to-date and 1,790 holes for the entire property.

Auger drilling carried out over the Boulon Jounga area returned many significant values as shown on following table.

Boulon Jounga Auger Drilling Intercepts

BHID	From	To	g/t Au
10BJMM3257	23	24	0.34
10BJMM2366	21	22	0.60
10BJMM2366	22	23	0.47
10BJMM2350	18	19	0.39
10BJMM1775	5	6	0.87
10BJMM1775	6	7	0.49
10BJMM3252	17	18	0.35
10BJMM1782	3	4	0.50
10BJMM1792	3	4	**2.60**
10BJMM3272	13	14	**1.38**
10BJMM3272	14	15	0.46
10BJMM1792	4	5	0.35
10BJMM3274	18	19	0.35
10BJMM3269	5	6	0.30
10BJMM2420	21	22	**2.98**
10BJMM2417	23	24	**1.65**
10BJMM2418	22	23	0.74
10BJMM2417	24	25	0.52
10BJMM2419	22	23	0.33
10BJMM2428	21	22	0.42
10BJMM2429	21	22	0.34
10BJMM2445	21	22	0.31

BHID	From	To	g/t Au
10BJMM2440	20	21	0.31
10BJMM2433	20	21	0.30
10BJMM2451	19	20	0.95
10BJMM2451	20	21	0.55
10BJMM2456	21	22	**1.07**
10BJMM2456	22	23	**1.68**
10BJMM2457	21	22	**2.20**
10BJMM2459	23	24	**1.11**
10BJMM2459	24	25	**1.11**
10BJMM2461	25	26	0.31
10BJMM2463	21	22	0.34
10BJMM2468	26	27	0.59
10BJMM2476	25	26	0.39
10BJMM2490	26	27	0.59
10BJMM2490	27	28	0.32
10BJMM2569	18	19	0.37
10BJMM2583	19	20	0.47
10BJMM2591	14	15	0.62
10BJMM2608	11	12	0.50
10BJMM2608	12	13	0.33
10BJMM2609	11	12	0.46
10BJMM2609	12	13	0.42

* All lengths are measured along the hole axis : additional information is required to determined true widths.

Detailed geological mapping was initiated to help discover structural ore traps. The detailed mapping puts in relation different lithologies, structural contexts and sampling results. This mapping helped understand that the Sikia mineralisation is located in a kind of "décolement" slip in a limb of a fold. Grab samples of 0.27 g/t Au and 1.03 g/t Au were found some 35 meters North of the main Sikia mineralisation and 2.3 g/t Au over 16 meters south in a refreshed-extended trench. More in-fill drilling is planned over the areas hosting these findings.

2. Consolidated Results and Mining Operations

	Three-month period ended June 30			Six-month period ended June 30		
	2010	2009	Variation	2010	2009	Variation
Operating Highlights						
Gold ounces produced	**68,300**	64,100	7%	**134,100**	122,200	10%
Gold ounces sold	**72,000**	63,000	14%	**129,200**	116,600	11%
(In thousands of dollars, except amounts per ounce and per tonne)						
Revenues – Gold sales	**87,085**	58,646	48%	**150,660**	108,141	39%
Mining operating costs	**30,411**	26,945	13%	**57,526**	52,470	10%
Government royalties	**3,260**	2,375	37%	**5,794**	4,365	33%
Operating income	**37,526**	17,043	120%	**57,049**	28,216	102%
Net income	**33,631**	10,721	214%	**47,436**	19,623	142%
Cash flow from operating activities [1]	**42,210**	25,444	66%	**68,667**	43,944	56%
Basic net income per share	**0.13**	0.05	160%	**0.19**	0.08	138%
Diluted net income per share	**0.13**	0.05	160%	**0.18**	0.08	125%
Operating cash flow per share [2]	**0.16**	0.11	45%	**0.27**	0.19	42%
Average realized price (per ounce)	**1,210**	931	30%	**1,166**	927	26%
Cash operating cost (per ounce produced) [3]	**426**	419	2%	**441**	439	-
Cash operating cost (per tonne processed) [3]	**31**	31	-	**32**	31	3%
Total cash cost (per ounce sold) [4]	**468**	465	1%	**490**	487	1%

[1] Cash flow from operating activities excludes changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations.
[2] Operating cash flow per share is a non-GAAP measure. See the ''Non-GAAP Measures'' section of this MD&A.
[3] Cash operating cost is calculated using ounces produced and tonnes processed. See the ''Non-GAAP Measures'' section of this MD&A.
[4] Total cash cost is a non-GAAP measure and represents the mining operating costs and government royalties per ounce sold.

Second Quarter 2010 v. Second Quarter 2009

- For the three-month period ended June 30, 2010, our gold sales increased by 48% to $87,085,000 compared to $58,646,000 for the corresponding period of 2009. The improvement is a direct result of the higher average realized price of gold, which remained superior to the average London PM, and the increase in ounces sold resulting from the higher production at the Mana Mine.

	2010		2009	
(In dollars)	Q2	Q1	Q2	Q1
Average London PM	**1,197**	**1,109**	922	908
Average realized gold price	**1,210**	**1,111**	931	923

- Our second quarter operating income increased by 120% over the same period last year. This increase in operating income is a direct result of higher sales, as explained above, combined with our costs containment efforts resulting in stable cash operating cost per ounce produced and tonne processed.
- Our net income improved by 214%, an increase of $22,910,000 over the second quarter of 2009 mainly due to our increase in operating income.
- Cash flows from operating activities reached $42,210,000 during the three-month period ended June 30, 2010 as a result of higher operating income.

First Six Months of 2010 v. First Six Months of 2009

- During the first six months of 2010, gold sales amounted to $150,660,000 compared to $108,141,000 for the same period last year. This 39% increase is mainly due to higher average realized gold price and increased gold ounces sold, as a result of higher production at the Mana mine.
- The 102% increase in operating income is due to increased sales and stable cash operating costs as a result of our costs containment efforts.
- Net income amounted to $47,436,000 for the first six months of 2010, compared to $19,623,000 for the first six months of 2009. The variation is mainly due to the improvement in the operating income as previously discussed.

3. Operating Income by Segment

(In thousands of dollars)	Three-month period ended June 30			Six-month period ended June 30		
	2010	2009	Variation	2010	2009	Variation
Mana Mine, Burkina Faso	**34,105**	15,026	127%	**51,757**	24,918	108%
Samira Hill Mine, Niger	**6,008**	1,844	226%	**9,824**	1,971	398%
Kiniero Mine, Guinea	**680**	1,859	(63%)	**462**	4,334	(89%)
Corporate and others	**(3,267)**	(1,686)	94%	**(4,994)**	(3,007)	66%
Total	**37,526**	17,043	120%	**57,049**	28,216	102%

Mining Operations

Mana, Burkina Faso

	Three-month period ended June 30			Six-month period ended June 30		
	2010	2009	Variation	2010	2009	Variation
Operating Data						
Ore mined (tonnes)	**487,400**	425,800	14%	**943,100**	807,300	17%
Ore processed (tonnes)	**520,200**	345,500	51%	**955,700**	698,900	37%
Head grade (g/t)	**3.19**	3.74	(15%)	**3.38**	3.30	2%
Recovery (%)	**86**	96	(11%)	**89**	96	(8%)
Gold ounces produced	**45,700**	37,300	23%	**87,100**	73,300	19%
Gold ounces sold	**50,500**	36,800	37%	**85,500**	67,900	26%
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**60,756**	34,209	78%	**99,706**	62,675	59%
Mining operations expenses	**17,833**	12,068	48%	**31,159**	24,494	27%
Government royalties	**1,812**	1,028	76%	**2,983**	1,877	59%
Amortization	**6,770**	5,873	15%	**13,145**	10,870	21%
Administration	**200**	186	8%	**588**	460	28%
Accretion expense of asset retirement obligations for property, plant & equipment	**36**	28	29%	**74**	56	32%
Segment operating income	**34,105**	15,026	127%	**51,757**	24,918	108%
Statistics ($)						
Average selling price (per ounce)	**1,203**	930	29%	**1,166**	923	26%
Cash operating cost (per ounce produced) [1]	**353**	320	10%	**358**	353	1%
Cash operating cost (per tonne processed) [1]	**31**	37	(16%)	**33**	35	(6%)
Total cash cost (per ounce sold) [2]	**389**	356	9%	**399**	388	3%
Amortization (per ounce sold) [3]	**134**	160	(16%)	**154**	160	(4%)

[1] Cash operating cost is calculated using ounces produced and tonnes processed. See the section ''Non-GAAP Measures'' section of this MD&A.
[2] Total cash cost is a non-GAAP measure and represents the mining operating costs and government royalties per ounce sold.
[3] Amortization per ounce sold is a non-GAAP measure and represents the amortization expense per ounce sold.

Second Quarter 2010 v. Second Quarter 2009

- For the three-month period ended June 30, 2010, a total of 487,400 tonnes of ore and 2,306,000 tonnes of waste material were extracted resulting in a stripping ratio of 4.7:1. This compares to 425,800 tonnes of ore and 2,225,000 tonnes of waste for the same period in 2009 which resulted in a stripping ratio of 5:1 for the same period in 2009. The 14% increase in ore mined is the result of additional mining equipments, commissioned in Q3 of 2009, and the lower strip ratio.
- During the second quarter of 2010, 19% of the ore mined came from the Nyafe pits, which have higher grade and higher strip ratio than the Wona pit. In June 2010, mining activities began on the new Nyafe Center pit.
- The 51% increase in the ore processed is the direct result of higher throughput following the completion of Phase I of the plant expansion during the first quarter of 2010. Since the commissioning of the expansion, the average plant throughput has been 6,200 tpd, and on one occasion, attained 7,300 tonnes.
- The 15% decrease in head grade relates to our increased throughput with lower grade ore related to our higher production capacity.
- The recovery rate decreased as the result of the processing of transitional ore as opposed to oxide ore in 2009. The recovery rate was also affected, as expected, by the reduced leach time further the completion of phase I of the plant expansion. However, this situation is temporary as Phase III of the plant expansion will increase leach time and plant recovery. The Phase III is scheduled to be commissioned by year-end 2010. Meanwhile, increased throughput largely compensates the reduced recovery.

Mining Operations (continued)

Mana, Burkina Faso (continued)

Second Quarter 2010 v. Second Quarter 2009 (continued)

- The 23% increase in gold ounces produced is due to increased plant throughput.
- Our cash operating cost for the three-month period ended June 30, 2010 decreased to $31 per tonne processed compared to $37 per tonne for the same quarter last year. This improvement is mainly due to fixed costs over higher throughput, decreased reagent consumption following process optimization, lower fuel price and lower strip ratio.
- The amortization per ounce decreased due to increased reserves.

First Six Months of 2010 v. First Six Months of 2009

- For the six-month period ended June 30, 2010, a total of 943,100 tonnes of ore and 4,677,400 tonnes of waste material were extracted, resulting in a stripping ratio of 5:1. This compares to 807,300 tonnes of ore and 4,522,800 tonnes of waste for the same period in 2009, which resulted in a stripping ratio of 6:1. As previously explained, the 17% increase in ore mined is the result of additional mining equipment commissioned in third quarter of 2009, and a lower strip ratio.
- The 37% increase in the ore processed is the direct result of improved throughput following the completion of Phase I of the plant expansion.
- The variation in recovery rate is the result of increased throughput and the processing of transitional ore.
- Ounces produced increased by 19% further the completion of Phase I of our plant expansion aiming at increasing our production capacity.
- The cash operating cost for the six-month period ended June 30, 2010 remained stable in comparision with the same period in 2009 as the lower head grade recovered during the second quarter of 2010 was offset by a higher contribution of ore processed from the Nyafe pit during the first quarter of 2010. The reduced cash operating cost per tonne processed relate to lower fuel price and lower strip ratio when compared with the same period in 2009.

Mining Operations (continued)

Mana, Burkina Faso (continued)

Project Updates

Plant expansion – Phase I: 6,000 tpd in Saprolite

- This phase of the plant expansion, aimed at increasing throughout to 6,000 tpd in saprolite ore was successfully completed during the first quarter of 2010. Since commissioning we have surpassed design capacity and attained up to 7,300 tpd.

Plant expansion – Phase II: SAG Mill: 6,000 tpd in Bedrock

- The second phase of the plant expansion is aimed at increasing plant capacity from 4,000 tpd to 6,000 tpd in hard rock. The ability to process an additional 2,000 tpd in bedrock can increase annual production by up to 40,000 ounces when compared to Mana's current plant capacity in bedrock.
- The second phase of plant expansion was successfully commissioned in July 2010.
- The payback period for this phase of the plant expansion is estimated at less than 12 months.
- The main enhancements to the plant in this phase are the addition of a 26' x 10' SAG mill and the replacement of the current two stage crushing circuit by a 36″ x 48″ single jaw crusher with a 400 tonne-per-hour capacity.
- Phase II was adopted in consideration of current reserves, 72% of which are in hard rock. Given the positive PFS of the Wona Underground, the recent increase in our reserves and the positive continuous exploration results, the expansion is key to our organic growth strategy moving forward.

Plant expansion – Phase III: Leach time

- At the beginning of 2010, we launched a third phase of the plant expansion. This phase consists mainly of the addition of two CIL tanks to extend the leach time to accommodate the increased throughput. Leach time will be increased from 22 to 29 hours when processing 6,000 tpd. The total budget for this phase is $5,500,000. This phase will increase gold recovery rate.
- Long lead items have all been ordered. Civil and concrete work are underway.
- Commissioning of this third phase is scheduled for the end of 2010.

Wona - Deep Development

- **Highlights of the PFS (using a $950/oz base gold price) include:**
  - Total proven and probable mineral reserves of 9.24 million tonnes at 2.9 g/t Au representing approximately 850,000 ounces
  - Average annual production from the underground of 76,500 ounces at a cash operating cost of $554 per ounce
  - Underground mine life of more than nine years at 3,000 tpd
  - Mining methods: long hole transverse and longitudinal retreat
  - Initial capital expenditure of $93 million and ongoing capital expenditure of $24.4 million
  - Pre-tax operating cash flow of $273 million with a 23% internal rate of return
  - 3.5-year payback period

- Gold production from the underground is estimated at 688,000 recoverable ounces at a cash operating cost of $554 per ounce or $41 per tonne processed. Study parameters include a 2.0 g/t Au cut-off grade, a processing plant recovery rate of 81% and energy costs of $0.13 per kWh.
- The PFS allows for increased underground production of 3,000 tpd compared to 2,000 tpd in the preliminary economic assessment. In order to sustain the plant's throughput capacity of 6,000 tpd, 3,000 tpd will be sourced from the open pits.

- **Gold Price Sensitivity Analysis (Pre-tax):**

	Price of Gold		
	$950	**$1,100**	**$1,200**
IRR	23%	35%	42%
Operating Cash Flow	$273,000,000	$373,000,000	$440,000,000

- **Wona Southwest Zone**

  The Wona Southwest ("SW") Zone will become part of the underground feasibility study currently underway at the Mana Mine in Burkina Faso. Inclusion of the new exploration results combined with previous results from the Wona SW Zone have the potential to add significant reserves to the underground operation. Consequently, we have postponed the feasibility study results until early in the first quarter 2011 in order to include the Wona SW Zone results to the geological model. The additional time will allow for infill drilling over the SW Zone, at-depth drilling on the center and south of the Wona Main pit, as well as infill drilling of the Kona open pit potential. The combined results will be modeled and fully integrated in an updated life-of-mine planning, which will optimise the interface between both the underground and open pit mining operations, based on the optimal blending for mill feed.

Mining Operations

Samira Hill, Niger

	Three-month period ended June 30			Six-month period ended June 30		
	2010	2009	Variation	2010	2009	Variation
Operating Data						
Ore mined (tonnes)	**130,500**	263,500	(50%)	**824,300**	656,800	26%
Ore processed (tonnes)	**286,600**	410,200	(30%)	**602,600**	720,500	(16%)
Head grade (g/t)	**2.21**	1.58	40%	**2.01**	1.69	19%
Recovery (%)	**74**	79	(7%)	**77**	72	7%
Gold ounces produced	**15,600**	17,400	(10%)	**31,100**	28,300	10%
Gold ounces sold	**15,000**	16,800	(11%)	**28,900**	28,400	2%
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**18,344**	15,654	17%	**33,833**	26,313	29%
Mining operations expenses	**8,431**	10,370	(19%)	**16,499**	18,445	(11%)
Government royalties	**1,022**	881	16%	**1,885**	1,474	28%
Amortization	**2,363**	2,123	11%	**4,671**	3,533	32%
Administration	**468**	392	19%	**850**	802	6%
Accretion expense of asset retirement obligations for property, plant and equipment	**52**	44	18%	**104**	88	18%
Segment operating income	**6,008**	1,844	226%	**9,824**	1,971	398%
Statistics ($)						
Average selling price (per ounce)	**1,223**	932	31%	**1,171**	927	26%
Cash operating cost (per ounce produced) [1]	**564**	597	(6%)	**566**	642	(12%)
Cash operating cost (per tonne processed) [1]	**30**	24	25%	**28**	26	8%
Total cash cost (per ounce sold) [2]	**630**	670	(6%)	**636**	701	(9%)
Amortization (per ounce sold) [3]	**158**	126	25%	**162**	124	30%

[1] Cash operating cost is calculated using ounces produced and tonnes processed. See the ''Non-GAAP Measures'' section of this MD&A.
[2] Total cash cost is a non-GAAP measure and represents the mining operating costs and government royalties per ounce sold.
[3] Amortization per ounce sold is a non-GAAP measure and represents the amortization expense per ounce sold.

Second Quarter 2010 v. Second Quarter 2009

- During the three-month period ended June 30, 2010, 130,500 tonnes of ore and 228,800 tonnes of waste material were extracted primarily from the Boulon Jounga pit, resulting in a strip ratio of 1.8:1. In addition, 1,472,300 tonne of waste material were extracted from the Samira Principale pit during the pre-stripping phase. As at June 30, 2010, 28% of the pre-strip had been completed. For the corresponding period in 2009, 263,500 tonnes of ore and 1,148,900 tonnes of waste material were extracted from the Long Tom pit for a stripping ratio of 4:1.
- Throughput decreased as a result of processing harder ore extracted from the pits at depth.
- The higher head grade is due to the processing of ore sourced from the Boulon Jounga pit during the second quarter of 2010 compared to the Long Tom pit in the second quarter of 2009.
- The reduced recovery rate is mainly due to the processing of sulphide ore as opposed to oxide ore processed from the Long Tom pit during the second quarter in 2009.
- The decreased production is a direct result of reduced throughput.
- Our cash operating cost per ounce decreased to $564 from $597 due to the higher head grade recovered. The cash operating cost per tonne increased by $6 as a result of higher transportation costs incurred given the Boulon Jounga pit distance to the plant and the increase in cost of fuel.
- The amortization per ounce sold increased as result of substantial capital investments made during the last year.

Mining Operations (continued)

Samira Hill, Niger (continued)

First Six Months of 2010 v. First Six Months of 2009

- During the first six months of 2010, 824,300 tonnes of ore and 1,486,300 tonnes of waste material were extracted from the Boundary and Boulon Jounga pits, resulting in a strip ratio of 1.8:1. As a result of the pre-stripping phase of the Samira Principal pit, an additional 1,490 500 tonnes of waste material were extracted. For the corresponding period in 2009, 656,800 tonnes of ore and 2,272,000 tonnes of waste material were extracted, for a stripping ratio of 3:1. In addition, 226,800 tonnes of waste material extracted from the Boulon Jounga and Long Tom pits during the pre-stripping phase done in 2009.
- The increase in grade is the result of the processing of ore primarily sourced from the Boulon Jounga pit compared the processing of ore sourced from the Long Tom pit and the use of stockpiled ore for the same period in 2009.
- The increase in gold production and the decrease in cash operating cost per ounce are mainly due to the processing of higher grade sulphide ore.
- SEMAFO purchased a new mining fleet scheduled to be fully operationnal in the fourth quarter 2010.

Mining Operations

Kiniero, Guinea

	Three-month period ended June 30			Six-month period ended June 30		
	2010	2009	Variation	2010	2009	Variation
Operating Data						
Ore mined (tonnes)	**144,200**	142,300	1%	**306,600**	249,200	23%
Ore processed (tonnes)	**123,400**	122,000	1%	**266,600**	254,100	5%
Head grade (g/t)	**1.89**	2.83	(33%)	**1.76**	2.75	(36%)
Recovery (%)	**90**	91	(1%)	**91**	89	2%
Gold ounces produced	**7,000**	9,400	(26%)	**15,900**	20,600	(23%)
Gold ounces sold	**6,500**	9,400	(31%)	**14,800**	20,300	(27%)
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**7,985**	8,783	(9%)	**17,121**	19,153	(11%)
Mining operations expenses	**4,146**	4,538	(9%)	**9,868**	9,601	3%
Government royalties	**427**	435	(2%)	**926**	944	(2%)
Amortization	**2,139**	1,467	46%	**4,734**	3,229	47%
Administration	**564**	459	23%	**1,074**	995	8%
Accretion expense of asset retirement obligations for property, plant and equipment	**29**	25	16%	**57**	50	14%
Segment operating income	**680**	1,859	(63%)	**462**	4,334	(89%)
Statistics ($)						
Average selling price (per ounce)	**1,228**	934	31%	**1,157**	943	23%
Cash operating cost (per ounce produced) [1]	**598**	483	24%	**649**	463	40%
Cash operating cost (per tonne processed) [1]	**32**	40	(20%)	**33**	36	(8%)
Total cash cost (per ounce sold) [2]	**704**	529	33%	**729**	519	40%
Amortization (per ounce sold) [3]	**329**	156	111%	**320**	159	101%

[1] Cash operating cost is calculated using ounces produced and tonnes processed. See the ''Non-GAAP Measures'' section of this MD&A.
[2] Total cash cost is a non-GAAP measure and represents the mining operating costs and government royalties per ounce sold.
[3] Amortization per ounce sold is a non-GAAP measure and represents the amortization expense per ounce sold.

Second Quarter 2010 v. Second Quarter 2009

- During the second quarter of 2010, 144,200 tonnes of ore and 538,000 tonnes of waste material were extracted. In addition, 546,000 tonnes of waste material were extracted from the West Balan BC pit during the pre-stripping phase. For the corresponding period in 2009, 142,300 tonnes of ore and 1,396,800 tonnes of waste material were extrated. This represents a strip ratio of 3.7:1 for the second quarter 2010, compared to 9.8:1 for the second quarter of 2009.
- The variation in head grade is mainly due to the processing of ore sourced from the West Balan BC pit, which has lower head grade than the West Balan A pit. The latter was the primary source of feed during the same period last year.
- The decrease in gold ounces produced and the increase in cash operating cost per ounce are a direct result of the processing of lower grade ore. This set-back can be rectified by additional investments in the Gobele A and Sabali pits, which have a five-year mine life. Both pits require high stripping at the commencement of mining in order to access higher-grade zones. However, due to the current situation in the country, we are maintaining our decision to suspend any additional cash investment for this property.
- The amortization per ounce significantly increased due to the reassessment of the useful life of the mining equipment as disclosed in our 2009 audited annual consolidated financial statements.

Mining Operations (continued)

Kiniero, Guinea (continued)

First Six Months of 2010 v. First Six Months of 2009

- The 23% increase in ore mined is mainly the result of the lower West Balan BC pit strip ratio.
- As previously explained, the decrease in head grade is the result of the processing of ore sourced from the West Balan BC pit in 2010 as compared to the West Balan A pit in 2009.
- A total of 15,900 ounces of gold were produced at Kiniero during the first six months of 2010 due to 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 $4,460,000 for the second quarter of 2010 and $7,429,000 for the first six months of 2010, compared to $2,701,000 and $5,221,000 for the corresponding periods in 2009. The increases are consistent with our efforts to sustain growth, particularly human resources pertaining to technical support for exploration and operations activities. Furthermore, an $800,000 accrual for year-end bonuses has been recorded in the quarter.

Charitable Donations

During the second quarter of 2010, we continued our corporate philanthropy program through our support of Fondation SEMAFO, a non-profit organization established in 2008. In the second quarter, we donated $252,000 for a total of $579,000 since the beginning of 2010. During the second quarter, Fondation SEMAFO concentrated its efforts on the construction of schools and providing assistance to farmers. Fondation SEMAFO also worked on projects such as the implementation of a program to market locally handcrafted soaps, a sesame production program aimed at training on best practices to produce and process sesame, which will be viable for sale on international markets. It also participated to the construction of restrooms and provided local schools with material for libraries and office supplies. Fondation SEMAFO distributed 60 tonnes of cereals to famine-strickened villages in Niger.

Interest on Long-Term Debt

The interest on long-term debt totalled $694,000 for the second quarter of 2010 compared to $1,301,000 for the same period in 2009, and $1,539,000 for the first six month of 2010 compared to $2,732,000 in 2009. These decreases result from the long-term debt repayments made during the last twelve months. Our $20,000,000 bank loan will be repaid in full in the next quarter.

Stock-Based Compensation

Higher stock-based compensation expense is due to the increase in the number of options granted and the higher cost per option granted due to a higher share value.

Income Tax Expenses

Our net income tax expenses totalled $2,631,000 during the second quarter of 2010 and $5,938,000 for the first six months of 2010 compared to $2,536,000 and $3,521,000 respectively in 2009. The increase is mainly a result of higher taxable income realized at the Mana Mine in Burkina Faso offset by future income tax recoveries related to unrealized foreign exchange losses on liabilities denominated in U.S. dollars in our Burkina Faso's subsidiary denominated in euros.

4. Cash Flow

The following table summarizes our cash flow activities:

	Three-month period ended June 30		Six-month period ended June 30	
	2010	2009	2010	2009
(In thousands of dollars)				
Cash flow				
Operations	**42,210**	25,444	**68,667**	43,944
Working capital items	**(120)**	(10,836)	**(6,071)**	(13,676)
Operating activities	**42,090**	14,608	**62,596**	30,268
Financing activities	**102,352**	25,464	**97,744**	20,262
Investing activities	**(26,635)**	(16,178)	**(43,854)**	(29,662)
Change in cash and cash equivalents during the period	**117,807**	23,894	**116,486**	20,868
Cash and cash equivalents - Beginning of period	**61,160**	20,416	**62,481**	23,442
Cash and cash equivalents - End of period	**178,967**	44,310	**178,967**	44,310

Operating

Operating activities, before working capital items, generated record cash flows of $42,210,000 in the second quarter of 2010, reflecting the increase in production and ounces sold combined with a higher realized price of gold. During the same period in 2009, the operating activities generated liquidities of $25,444,000. Details of changes in working capital items are provided in note 11a) of our financial statements as at June 30, 2010.

Financing

In the second quarter of 2010, we reimbursed $5,153,000 of our long-term debt compared to $7,594,000 during the corresponding period of 2009.

On June 4, 2010, we closed a public offering at $6.55 (CA $6.95) per common share, which resulted in an issuance of 17,250,000 common shares for gross proceeds of $113,018,000 (CA $119,887,500). Share issue expenses related to this public offering amounted to $6,311,000.

Use of proceeds as at June 30, 2010 in comparison to the previously proposed use of proceeds of our 2010 and 2009 public offerings is broken down as follows:

	Investment announced financing 2010 $	Actual use of proceeds, June 30, 2010 $	Investment announced financing 2009 $	Actual use of proceeds June 30, 2010 $
Mining fleet at the Samira Hill Mine	25,000,000	8,990,000	-	-
Exploration at Mana Mine	-	-	18,500,000	11,331,000
Exploration and development at Mana Mine	15,000,000	-	-	-
Mana plant expansion	-	-	8,000,000	8,000,000
General corporate purposes	73,018,000	-	8,737,000	8,737,000
	113,018,000	**8,990,000**	**35,237,000**	**28,068,000**

In addition, a total of 641,000 options were exercised during the first six-month of 2010 under our stock option plan for a cash consideration of $1,358,000. During the same period in 2009, a total of 30,000 options were exercised under the same plan for a cash consideration of $38,000.

Investing

During the second quarter of 2010, we made investments of $26,635,000 in property, plant and equipment compared to $8,803,000 for the same period last year.

Investments represent exploration expenditures amounting to $4,527,000, expansion costs at the Mana Mine totalling $3,494,000, purchase of mining equipments totalling $11,712,000, stripping costs of $3,366,000 as well as sustainable capital expenditures in the amount of $3,536,000. During the second quarter of 2009, liquidities of $8,803,000 were invested as follows: $2,075,000 in exploration expenditures, $3,320,000 for the expansion of the Mana mine as well as sustainable capital expenditures in the amount of $3,408,000.

Financial Position

As at June 30, 2010, we maintain a strong financial position with $183,374,000 in cash and cash equivalents and restricted cash. Further to our public offering completed in June 2010, our debt to equity ratio decreased to 6% (13% as at December 31, 2009).

With our existing cash balances and expected cash flow from operations, we are well positioned to fund our cash requirements for the remaining of 2010, which relate primarily to the following activities:

Requirements

- Long-term debt reimbursement
- Mana plant expansion project
- Exploration programs
- Purchase of Samira Hill mining equipment

5. Balance Sheets

(In thousands of dollars)	As at June 30, 2010	As at December 31, 2009
Current assets	**258,543**	137,231
Restricted cash	**4,407**	4,407
Property, plant and equipment	**222,786**	200,375
Investment and other assets	**19,644**	19,743
Total Assets	**505,380**	361,756
Total Liabilities	**75,147**	89,093
Shareholders' Equity	**430,233**	272,663

As at June 30, 2010, our total assets amounted to $505,380,000, compared to $361,756,000 at the end of fiscal 2009.

As at June 30, 2010, the Company held cash and cash equivalents of $178,967,000, compared to $62,481,000 as at December 31, 2009. This increase results from higher cash flows from operating activities combined with proceeds from the public offering closed in June 2010. In addition, the Company still holds $4,407,000 in restricted accounts according to conditions associated with our loans and for environmental rehabilitation purposes. The remaining portion of our asset base is primarily comprised of property, plant and equipment, reflecting the capital intensive nature of our business. Our property, plant and equipment increased to $222,786,000 as at June 30, 2010 compared to $200,375,000 as at December 31, 2009, as a result of the Mana plant expansion and the purchase of the new mining fleet at the Samira Hill Mine in Niger.

Total liabilities decreased to $75,147,000 as at June 30, 2010, compared to $89,093,000 as at December 31, 2009 mainly as a result of our reimbursements totalling $10,321,000 made on our long-term debt.

Share capital increased to $444,526,000 as at June 30, 2010, from $329,759,000 as at December 31, 2009 further to the June 4, 2010 public offering of 17,250,000 common shares for gross proceeds of $113,018,000 (CA $119,887,500).

6. Derivative Financial Instruments

Put Options

In 2007, we implemented a 55,000 ounce gold price put protection program for the Mana Mine, a requirement under our $45,000,000 debt facility.

During the year ended December 31, 2009, 5,000 ounces under the put protection program expired. Of the remaining outstanding ounces, 5,000 ounces will expire in 2010 (July to December) and 45,000 ounces will expire in 2011. Consequently, the entire production is available to be sold at spot prices and is fully exposed to any upward increase in the price of gold with the downward price protected at $600 per ounce for 50,000 ounces.

7. Contractual Obligations

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 four calendar years is broken down as follows:

	(In thousands of dollars)
Remainder of 2010	8,927
2011	15,231
2012	281
2013	173
	24,612

Asset Retirement Obligations

Our operations are governed by mining agreements covering the protection of the environment. We conduct our operations in such manner as to protect public health and the environment. We will implement progressive measures for rehabilitation work during the operation, in accordance with our mining agreements, closing-down and follow-up work upon closing of the mine. The estimated undiscounted cash flow required to settle the asset retirement obligations is $7,223,000. These disbursements are expected to be made during the years 2010 to 2018. The amount accounted for as liabilities in our financial statements represent the discounted obligations from rehabilitation and closing plans. An 8% discount rate was used to evaluate the obligations.

Government royalties and Development Taxes

Pursuant to our mining agreements, we have royalty commitments that generate obligations upon gold deliveries. If our mines do not produce gold, we have no payment obligation. Each gold shipment is subject to royalty fees of 3% in Burkina Faso, 5.5% in Niger and 5% in Guinea, based on the value of the shipments, evaluated at the spot price on the delivery date. In Guinea, we are also committed to invest 0.4% of 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 our permits, we must commit to invest a specific amount in exploration and development on the permits during their validity period. Moreover, we must make annual payments in order to maintain certain property titles. As at June 30, 2010, we were in compliance with all obligations related to the ownership of our permits.

Purchase Obligations

As at June 30, 2010, we had purchase commitments related to the Mana plant expansion and the purchase of the new mining fleet for the Samira Hill mine totalling $2,866,000 and $6,005,000 respectively.

7. Contractual Obligations (continued)

Non-Controlling Interests

SEMAFO owns 90% of SEMAFO Burkina Faso S.A., our operating subsidiary in Burkina Faso. The Government of Burkina Faso owns the remaining 10% of the subsidiary and is entitled to 10% of SEMAFO Burkina Faso S.A.'s net income after SEMAFO has recovered its initial capital investment. As a result of actual and forecasted profits for the remainder of the year, we anticipate recording a non-controlling interest charge before the end of 2010.

8. Contingency

The Company received, from the Burkina Faso tax authorities, at the end of the first quarter of 2010, a tax assessment for the years 2007 and 2008 of $13,800,000 plus an additional $14,400,000 in penalties. The assessment covers mainly three items: value added tax, which the Company believes it was exempted from paying during the construction phase of the Mana project under its mining agreement with the government of Burkina Faso, withholding taxes on interests paid to a non-resident shareholder, which the Company believes it is exempted from paying under applicable law, and the transfer of property between two of the Company's Burkinabe subsidiaries which was done to allow the government of Burkina Faso to own 10% of the operating subsidiary. The Company is vigorously defending its positions and has already held discussions on all items with the Burkina Faso authorities.

As at the date of this report, the final outcome of this matter is still not determinable and therefore no contingent loss has been accrued in our financial statements. Any amount paid, if any, will be recognized in our consolidated financial statements at the time of the settlement.

9. 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, tax or royalty rates or the adoption of new interpretation relating thereto 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 SEMAFO'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 SEMAFO's financial performance and results of operations.

Fluctuation in Petroleum Prices

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

9. Risks and Uncertainties (continued)

Exchange Rate Fluctuations

The operations of SEMAFO in West Africa are subject to currency fluctuations and such fluctuations may materially affect the financial position and results of SEMAFO. Gold is currently sold in US dollars and although the majority of the costs of SEMAFO 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 SEMAFO's profitability, results of operations and financial condition.

Access to Capital Markets

To fund its growth, SEMAFO 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 SEMAFO's projects.

Operational Risks

Uncertainty of Reserve and Resource Estimates

The figures for reserves and resources presented 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;
- the grade of the reserves may vary significantly from time to time and there is no assurance that any particular level of gold may be recovered from the reserves; and
- declines in the market price of gold may render the mining of some or all of the reserves uneconomic.

Any of these factors may require SEMAFO 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 SEMAFO's profitability. Should the market price of gold fall, SEMAFO 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 SEMAFO has an interest. Many factors may cause delays or cost increases, including, without limitation, labour issues, disruptions in power, transportation or supplies, and mechanical failure. The revenues of SEMAFO 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 period.

Nature of Mineral Exploration and Mining

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

9. Risks and Uncertainties (continued)

Operational Risks (continued)

SEMAFO'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. SEMAFO's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which SEMAFO 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 SEMAFO 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 SEMAFO 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 SEMAFO'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, government 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 SEMAFO not receiving an adequate return on invested capital.

Depletion of our Mineral Reserves

SEMAFO 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 SEMAFO's current programs will result in any new commercial mining operations or yield new reserves to replace and/or expand current reserves.

Licenses and Permits

SEMAFO requires licenses and permits from various governmental authorities. SEMAFO 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 SEMAFO 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. SEMAFO competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than SEMAFO, in the search for and the acquisition of attractive mineral properties and, increasingly, human resources. There is no assurance that SEMAFO will continue to be able to compete successfully with its competitors in acquiring properties or prospects and in attracting and retaining human resources.

9. Risks and Uncertainties (continued)

Operational Risks (continued)

Cash Cost of Gold Production

SEMAFO'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 SEMAFO may differ from the estimated performance. As these factors are beyond SEMAFO's control, there can be no assurance that SEMAFO's cash operating cost will continue at historical levels.

Title Matters

While SEMAFO 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 SEMAFO.

Outside Contractor Risk

A significant portion of SEMAFO's operations in Niger are conducted by outside contractors. As a result, SEMAFO's operations at these sites will be subject to a number of risks, some of which will be outside SEMAFO's control, including:

- negotiating agreements with contractors on acceptable terms;
- the inability to replace a contractor and its operating equipment in the event that either party terminates the agreement;
- reduced control over such aspects of operations that are the responsibility of the contractor;
- failure of a contractor to perform under its agreement with SEMAFO;
- 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.

In addition, SEMAFO 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 SEMAFO'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, SEMAFO provides training and awareness programs to its employees to continuously improve work practices and the work environment.

Political Risks

While the governments in Burkina Faso, Niger and Guinea have historically supported the development of their natural resources by foreign companies, there is no assurance that one or more of these governments will not in the future adopt different policies or interpretations respecting foreign ownership of mineral resources, government royalties rates, taxation, rates of exchange, environmental protection, labour relations, repatriation of income or return of capital or the obligations of SEMAFO under its respective mining codes and agreements. The possibility that a government in any of these countries may adopt substantially different policies or interpretations, which might extend to the expropriation of assets, may have a material adverse effect on SEMAFO. Political risk also includes the possibility of civil disturbances and political instability in these countries.

Moreover, in July 2010, it was announced that a new investigative commission had been established in Niger by the new transitional military regime with a mandate to review all agreements and governance practices put in place by previous regimes, more specifically with regard to the economic benefits to the country. We have always been respectful of the Niger mining codes, rules and regulations and have consistently honored all contractual agreements with the Government of Niger. Although we are confident that the investigative commission will confirm these facts, we are unable to predict the outcome of the commission's review which may have an impact on our investment strategy in Niger.

9. Risks and Uncertainties (continued)

Environmental Risks and Hazards

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

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

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 SEMAFO 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 SEMAFO's future cash flow, results of operations or financial condition.

10. Summary of Quarterly Information

(unaudited, in accordance with Canadian GAAP)

	2010		2009				2008	
(In thousands of dollars, except for amounts per share)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Gold sales	87,085	63,575	73,286	59,361	58,646	49,495	48,398	51,147
Operating income	37,526	19,523	17,494	15,195	17,043	11,173	4,526	11,959
Net income	33,631	13,805	10,483	13,399	10,721	8,902	3,980	11,366
Basic net income per share	0.13	0.06	0.04	0.05	0.05	0.04	0.02	0.06
Diluted net income per share	0.13	0.05	0.04	0.05	0.05	0.04	0.02	0.06
Cash flow from operating activities [1]	42,210	26,457	23,902	24,301	25,444	18,500	10,824	20,068

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

11. Information on Outstanding Shares

As at August 4, 2010, SEMAFO's share capital is comprised of 270,991,435 common shares issued and outstanding. All 1,800,000 warrants have been exerciced as of July 21, 2010.

The Company has a stock option plan for its employees, officers, consultants and directors and those of its subsidiaries. The plan provides for the grant of non-transferable options for the purchase of common shares. As at August 4, 2010 stock options allowing its holders to purchase 11,094,500 common shares were outstanding.

12. Additional Information

Exchange rates are as follows:

CA $ / US $	2010	2009
December 31 (closing)	-	1.0466
March 31 (closing)	**1.0156**	1.2602
June 30 (closing)	**1.0606**	1.1630
First quarter (average)	**1.0403**	1.2424
Second quarter (average)	**1.0253**	1.1315

13. International Financial Reporting Standards – Changeover Plan

The Canadian Accounting Standards Board (AcSB) confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011.

We have established our changeover plan to adopt IFRS by 2011. An implementation team has been created to plan for and achieve a smooth transition to IFRS. External resources have also been retained to assist, under the direction of SEMAFO's management, with certain aspects of the project to complete the transition plan on a timely basis. The Audit Committee of the Board of Directors receives timely progress reports on the status of the IFRS implementation project as well as indications, decisions and conclusions regarding IFRS options. SEMAFO is also implicating the external auditors into the conversion process throughout each stage of the project.

The implementation project consists of three major phases: (1) the scoping and diagnostic phase; (2) the impact analysis, evaluation and design phase; and (3) the implementation and review phase.

Phase 1 - Scoping and diagnostic

During the first phase, completed in October 2008, we performed a high-level assessment to identify key differences between Canadian GAAP and IFRS which were most likely to impact SEMAFO. We established project strategy, infrastructure and timeframe and trained core internal resources in the conversion project.

Phase 2 – Impact analysis, evaluation and design

In our second phase, which began during the third quarter of 2009, we have been performing a detailed assessment, from an accounting, reporting and business perspective of the changes that will result from the conversion to IFRS. The following summarizes the key elements of SEMAFO's changeover plan for transitioning to IFRS for which progress has been made against each activity:

1. Accounting policies and procedures

Preliminary conclusions are currently still under review for the majority of accounting policy choices and differences identified between IFRS and our current accounting policies, as applied by SEMAFO. Refer to sections "First-time adoption of IFRS" and "Expected areas of Significance" below.

13.International Financial Reporting Standards – Changeover Plan (continued)

2. Financial statement preparation
IFRS will require more in depth disclosure. SEMAFO is already taking the necessary steps and has completed its preliminary development of a model for our IFRS consolidated financial statements, identifying information gaps and necessary changes in reporting. We are still in the process of organizing and implementing the required changes over our processes and controls, and also designing procedures to prepare the IFRS comparative information.

3. Training and communication
We have also started training of the key internal resources. IFRS training will continue as IFRS accounting policies are developed and the implementation process continues. Our communications and investor relations team is involved in the conversion project to ensure that the stakeholders' queries during the time leading up to the conversion are addressed. We will continue to provide updates on the project progress throughout the conversion period to allow stakeholders to assess the impact of the conversion on our financial performance.

4. Business impacts
We are completing our assessment of the impacts on all areas of the business, including contractual arrangements, financial covenant calculations, incentive plans, budgeting, etc.

5. IT systems
We are determining the changes necessary to information technology and data systems, including how to accumulate the data necessary for the fiscal 2010 comparatives. While we completed a preliminary version of our IFRS consolidated financial statements model, we are still preparing the significant process changes to be made to report adequate information in the notes to our IFRS compliant consolidated financial statements.

6. Control environment
We have been reviewing our existing internal controls over financial reporting and disclosure controls and procedures to address significant changes to the existing accounting policies and practices. Some modifications or additions to internal controls over financial reporting will be required due to the fact that IFRS requires more judgment with respect to various accounting treatments. The completion of this phase is still planned for the third quarter of 2010.

Phase 3 – Implementation and review
In the third phase, key IFRS 1 exemption decisions and accounting changes will be approved by senior management and reviewed by the Audit Committee of the Board of Directors during the third quarter of 2010. Implementation of these accounting changes and required modifications to internal procedures, controls and systems will be made. This will translate into a structured training program that will include a revised accounting manual available for our employees and new internal financial reporting policies and controls, which will be monitored by management throughout the implementation process. This last phase will be completed before year-end.

Accordingly, our transition status is currently on track with our implementation schedule which calls for initial reporting under IFRS starting for the interim periods and the year ending December 31, 2011. Our analysis of possible changes is still in process and not all decisions have been made where choices of accounting policies are available. Thus, we are not able to reliably quantify the impacts expected on our consolidated financial statements for these differences.

First-Time Adoption of IFRS
IFRS 1, First-Time Adoption of International Financial Reporting Standards ("IFRS 1"), provides entities adopting IFRSs for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRSs. We are currently analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the circumstances. Most adjustments required on transition to IFRSs will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards that will be applicable as at December 31, 2011. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the year of adoption. As previously mentioned, IFRS 1 exemption decisions will be approved by senior management and reviewed by the audit committee of the Board of Directors during the third quarter of 2010.

13.International Financial Reporting Standards – Changeover Plan (continued)

Expected areas of Significance

Based on our initial analysis, we have identified various IFRSs that differ from Canadian GAAP. Set out below are the key areas where changes in accounting policies are expected that may impact our consolidated financial statements, including presentation and disclosure, for which work is in progress on detailed technical papers to assess the impact:

1) Impairment of assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. IAS 36 *Impairment of Assets*, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

2) Property, plant and equipment

IAS 16 *Property, Plant and Equipment* requires a componentization approach, separately identifying and measuring significant individual components of assets which have different useful lives. Significant components will be depreciated based on their individual useful lives. IAS 16 requires the depreciable amount to be the asset cost less its residual value, rather than using the greater of the asset cost less its residual value or asset cost less its salvage value

3) Assets retirement obligations

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* defines site restoration and environmental provisions as legal or constructive obligations; Canadian GAAP limits the definition to legal obligations. IAS 37 requires the use of management's best estimate of the Company's cash outflows, rather than fair value measurement on initial recognition under Canadian GAAP, and requires provisions to be updated at each balance sheet date using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability). Canadian GAAP requires the use of a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions.

4) Deferred stripping costs

Under Canadian GAAP, stripping costs are expensed unless they represent a betterment of the mineral property. Unlike Canadian GAAP, IFRS has no specific guidance related to the accounting for waste rock stripping costs at open pit mining operations yet. Under IFRS, reference must be made to the conceptual framework for assets. Accordingly, IFRS currently allows stripping costs that represent future economic benefit to be capitalized as a "deferred stripping cost". We currently monitor the International Financial Reporting Interpretations Committee ("IFRIC") to whom a draft interpretation was presented in July 2010.

5) Financial instruments

Investments in equity instruments classified as available for sale that do not have a quoted market price in an active market should be measured at cost under Canadian GAAP. IFRS will require SEMAFO's investment in GoviEx and a related Company of GoviEx be measured at fair value.

6) Extractive Activities

"Extractive Activities" discussion paper was published in April 2010 and is open for comments until July 30, 2010. As current IFRS 6 allows mining entities to retain their existing policies for the capitalization of exploration and evaluation costs until more definitive guidance is developed, we concluded that, until the publication of the final standard, the better option would be to retain the existing policy.

13. International Financial Reporting Standards – Changeover Plan (continued)

This list should not be regarded as a complete list of changes that will result from transition to IFRS. It is intended to highlight those areas we believe to be most significant; however, our analysis of possible changes is still in process and not all decisions have been made where choices of accounting policies are available. Until our adoption date is finalized, SEMAFO is not able to reliably quantify the impacts expected on our consolidated financial statements for these differences.

We are aware that the standard-setting bodies that promulgate Canadian GAAP and IFRSs have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRSs and their impact on the our consolidated financial statements in future years. We have processes in place to ensure that such potential changes are monitored and evaluated. The future impacts of IFRSs will also depend on the particular circumstances prevailing in those years. The differences described are those existing based on Canadian GAAP and IFRSs today.

Additional disclosure about the impact of the adoption of IFRS on our consolidated financial statements will be provided in future MD&As.

14. 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 three-month period ended June 30, 2010, 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, 2010 and ending on June 30, 2010.

15. 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. For the non-GAAP measures not already reconciled within the document, the Company has defined the non-GAAP measures below and reconciled them to reported GAAP measures.

15. Non-GAAP Measures (continued)

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:

Per ounce produced	Mana	Samira Hill	Kiniero	Total
			Three-month period ended June 30, 2010	
Gold ounces produced	**45,700**	**15,600**	**7,000**	**68,300**
(In thousands of dollars except per ounce)				
Operating costs and government royalties (relating to ounces sold)	**19,645**	**9,453**	**4,573**	**33,671**
Government royalties and selling expenses	**(2,038)**	**(1,099)**	**(481)**	**(3,618)**
Effects of doré bars' inventory adjustments	**(1,481)**	**450**	**97**	**(934)**
Operating costs (relating to ounces produced)	**16,126**	**8,804**	**4,189**	**29,119**
Cash operating cost (per ounce produced)	**353**	**564**	**598**	**426**

Per ounce produced	Mana	Samira Hill	Kiniero	Total
			Three-month period ended June 30, 2009	
Gold ounces produced	37,300	17,400	9,400	64,100
(In thousands of dollars except per ounce)				
Operating costs and government royalties(relating to ounces sold)	13,096	11,251	4,973	29,320
Government royalties and selling expenses	(1,246)	(1,137)	(531)	(2,914)
Effects of doré bars' 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

Per tonne processed	Mana	Samira Hill	Kiniero	Total
			Three-month period ended June 30, 2010	
Tonnes of ore processed	**520,200**	**286,600**	**123,400**	**930,200**
(In thousands of dollars except per ounce)				
Operating costs (relating to ounces sold including government royalties)	**19,645**	**9,453**	**4,573**	**33,671**
Government royalties and selling expenses	**(2,038)**	**(1,099)**	**(481)**	**(3,618)**
Effects of inventory adjustments (doré bars and gold in circuit)	**(1,115)**	**167**	**(136)**	**(1,084)**
Operating costs (relating to tonnes processed)	**16,492**	**8,521**	**3,956**	**28,969**
Cash operating cost (per tonne processed)	**31**	**30**	**32**	**31**

15. Non-GAAP Measures (continued)

	Mana	Samira Hill	Kiniero	Total
			Three-month period ended June 30, 2009	
Tonnes of ore processed	345,500	410,200	122,000	877,700
(In thousands of dollars except per ounce)				
Operating costs and government royalties (relating to ounces sold)	13,096	11,251	4,973	29,320
Government royalties and selling expenses	(1,246)	(1,137)	(531)	(2,914)
Effects of inventory adjustments (doré bars and gold in circuit)	958	(261)	441	1,138
Operating costs (relating to tonnes processed)	12,808	9,853	4,883	27,544
Cash operating cost (per tonne processed)	37	24	40	31

Operating cash flow per share

	2010	2009	2008
		Three-month period ended June 30	
(In thousands)			
Cash flow from operating activities [1]	**42,210**	25,444	19,304
Weighted average number of outstanding common shares	**256,234**	233,403	213,489
Operating cash flow per share	**0.16**	0.11	0.09

1 Cash flow from operating activities excludes changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment.

16. Additional Information and Continuous Disclosure

This MD&A has been prepared as of August 4, 2010. 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). You may also find these documents and other information about SEMAFO on our web site at www.semafo.com.

17. 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, increase in tax or royalty rates or adoption of new interpretations related thereto 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, those 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 Annual Information Form of the Company and other filings of the Company 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

(Expressed in thousands of U.S. dollars)

	(unaudited) As at June 30, 2010 $	As at December 31, 2009 $
Assets		
Current assets		
Cash and cash equivalents	178,967	62,481
Accounts receivable	7,784	9,894
Inventories (note 2)	65,919	60,300
Other short-term assets (note 3)	5,873	4,556
	258,543	137,231
Restricted cash	4,407	4,407
Property, plant and equipment (note 4)	222,786	200,375
Investment and other assets	19,644	19,743
	505,380	361,756
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	28,730	33,658
Income tax payable	9,564	5,019
Current portion of long-term debt (note 5)	16,248	18,808
	54,542	57,485
Long-term debt (note 5)	8,004	15,612
Advance payable	3,007	3,007
Asset retirement obligations	6,437	5,879
Future income taxes	3,157	7,110
	75,147	89,093
Shareholders' Equity		
Share capital (note 6)	444,526	329,759
Contributed surplus (note 7)	7,676	5,998
Deficit	(21,969)	(63,094)
	430,233	272,663
	505,380	361,756

Commitments and Contingency (note 10)

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	
	2010	2009	**2010**	2009
	$	$	**$**	$
Balance – beginning of the period	**(49,289)**	(95,485)	**(63,094)**	(104,387)
Share issue expense	**(6,311)**	(2,212)	**(6,311)**	(2,212)
Net income for the period	**33,631**	10,721	**47,436**	19,623
Balance – end of the period	**(21,969)**	(86,976)	**(21,969)**	(86,976)

Consolidated Comprehensive Income

	Three-month period ended June 30		Six-month period ended June 30	
	2010	2009	**2010**	2009
	$	$	**$**	$
Net income and Comprehensive income for the period	**33,631**	10,721	**47,436**	19,623

Consolidated Statements of Operations

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

	Three-month period ended June 30		Six-month period ended June 30	
	2010 $	2009 $	2010 $	2009 $
Revenue – Gold sales	87,085	58,646	150,660	108,141
Expenses				
Mining operations	30,411	26,945	57,526	52,470
Government royalties	3,260	2,375	5,794	4,365
Amortization of property, plant and equipment	11,311	9,485	22,627	17,675
Administration	4,460	2,701	7,429	5,221
Accretion expense of asset retirement obligations	117	97	235	194
	49,559	41,603	93,611	79,925
Operating income	37,526	17,043	57,049	28,216
Charitable donations – Fondation SEMAFO	252	-	579	-
Interest, banking fees and other income	223	116	200	536
Interest on long-term debt	694	1,301	1,539	2,732
Stock-based compensation	826	195	2,069	501
Change to the fair value of derivative financial instruments (note 8)	50	1,424	100	1,366
Foreign exchange (gain) loss	(781)	750	(812)	(63)
Net income before taxes	36,262	13,257	53,374	23,144
Income tax expense (recovery)				
Current	6,393	-	9,891	-
Future	(3,762)	2,536	(3,953)	3,521
	2,631	2,536	5,938	3,521
Net income for the period	33,631	10,721	47,436	19,623
Basic net income per share (note 9)	0.13	0.05	0.19	0.08
Diluted net income per share (note 9)	0.13	0.05	0.18	0.08

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	
	2010	2009	**2010**	2009
	$	$	**$**	$
Cash flows from :				
Operating activities				
Net income for the period	**33,631**	10,721	**47,436**	19,623
Adjustment for :				
Change to fair value of derivative financial instruments	**50**	1,424	**100**	1,366
Amortization of property, plant and equipment	**11,311**	9,677	**22,627**	17,968
Stock-based compensation	**826**	195	**2,069**	501
Accretion expense of asset retirement obligations	**117**	97	**235**	194
Amortization of deferred transaction costs	**132**	239	**319**	470
Unrealized foreign exchange loss (gain)	**(95)**	555	**(166)**	301
Future income taxes (recovery) expense	**(3,762)**	2,536	**(3,953)**	3,521
	42,210	25,444	**68,667**	43,944
Changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations (note 11 a)	**(120)**	(10,836)	**(6,071)**	(13,676)
	42,090	14,608	**62,596**	30,268
Financing activities				
Reimbursement of long-term debt	**(5,153)**	(7,594)	**(10,321)**	(12,801)
Issuance of share capital	**113,816**	35,270	**114,376**	35,275
Share issue expenses	**(6,311)**	(2,212)	**(6,311)**	(2,212)
	102,352	25,464	**97,744**	20,262
Investing activities				
Additions to property, plant and equipment	**(26,635)**	(8,803)	**(43,854)**	(15,429)
Financial instruments settled	**-**	(8,625)	**-**	(15,483)
Decrease in restricted cash	**-**	1,250	**-**	1,250
	(26,635)	(16,178)	**(43,854)**	(29,662)
Change in cash and cash equivalents during the period	**117,807**	23,894	**116,486**	20,868
Cash and cash equivalents – beginning of the period	**61,160**	20,416	**62,481**	23,442
Cash and cash equivalents – end of the period	**178,967**	44,310	**178,967**	44,310

Supplementary cash flow information (note 11)

(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 ("GAAP"). These consolidated interim unaudited financial statements do not include all disclosures required under Canadian GAAP 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, 2009.

The preparation of the consolidated financial statements compliant with GAAP 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, 2009.

2. Inventories

	As at June 30, 2010 $	As at December 31, 2009 $
Doré bars	3,958	1,053
Gold in circuit	5,862	8,547
Stockpiles	11,173	10,675
Supplies and spare parts	44,926	40,025
	65,919	60,300

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

3. Other short-term assets

	As at June 30, 2010 $	As at December 31, 2009 $
Prepaid expenses	5,872	4,554
Fair value of derivative financial instruments (note 8)	1	2
	5,873	4,556

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

4. Property, plant and equipment

	As at June 30, 2010			As at December 31, 2009		
	Cost $	Accumulated depreciation $	Net $	Cost $	Accumulated depreciation $	Net $
Property, plant and equipment – producing properties:						
Property acquisition costs, deferred exploration and development costs	205,138	79,159	125,979	174,276	69,040	105,236
Buildings and equipment related to mining production	114,621	42,387	72,234	109,713	35,767	73,946
Mining equipment	31,146	12,917	18,229	26,425	9,843	16,582
Rolling stock, communication and computer equipment	8,924	6,483	2,441	8,640	6,081	2,559
Stripping costs (a)	7,133	3,230	3,903	3,694	1,642	2,052
Total property, plant and equipment	366,962	144,176	222,786	322,748	122,373	200,375

a) Reconciliation of stripping costs is as follows:

	Six-month period ended June 30, 2010 $	Twelve-month period ended December 31, 2009 $
Balance – beginning of period	2,052	1,155
Stripping costs capitalized	3,439	2,087
Amortization	(1,588)	(1,190)
Balance – end of period	3,903	2,052

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

5. Long-term debt

Long-term debt consists of the following:

	As at June 30, 2010 $	As at December 31, 2009 $
Bank loan of $20,000,000, bearing interest at 8.50% payable quarterly, principal repayable in quarterly installments of $1,250,000 ending on September 30, 2010, secured by a pledge of certain assets and by an assignment of claims of certain inter company advances.	1,250	3,750
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]	22,500	30,000
Other loans (denominated in euros, bearing interest at rates between 8.85% and 10.00%)		
Historical amount	994	1,315
Exchange rate fluctuation	(132)	34
Long-term debt	24,612	35,099
Deferred transaction costs	(360)	(679)
Long-term debt, net of deferred transaction costs	24,252	34,420
Current portion of long-term debt	16,248	18,808
Long-term portion of long-term debt	8,004	15,612

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

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

	$
Remainder of 2010	8,927
2011	15,231
2012	281
2013	173
	24,612

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

6. 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 $0.31 (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 $0.11 (CA $0.12) per share

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

	Six-month period ended June 30,2010		Twelve-month period ended December 31, 2009	
	Number (in thousands)	Amount $	Number (in thousands)	Amount $
Common shares				
Balance – beginning of period	250,863	328,304	232,706	292,455
Issued and paid in cash	17,250	113,018	17,850	35,237
Issued for exercises of options	641	1,749	307	612
Balance – end of period	268,754	443,071	250,863	328,304
Warrants				
Balance – beginning and end of period	1,800	1,455	1,800	1,455
Common shares and warrants	270,554	444,526	252,663	329,759

On June 4, 2010, the company closed a public offering of 17,250,000 common shares at $6.55 (CA $6.95) per share for gross proceeds of $113,018,000. Share issue expenses related to this public offering totaled $6,311,000.

Warrants

Warrants outstanding as at June 30, 2010:

Expiration date	Exercise price	Number of warrants
July 2011	$2.12 (CA $2.25)	800,000
February 2012	$1.89 (CA $2.00)	1,000,000
		1,800,000

All 1,800,000 warrants were exercised on July 21, 2010, for gross proceeds of $3,600,000 (CA $3,800,000).

Options

A total of 1,860,000 new options were issued to employees, officers, consultants and directors of the company during the six-month period ended June 30, 2010. The fair market value of these new options is evaluated at $4,576,000.

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 30,2010	Twelve-month period ended December 31, 2009
Average dividend per share	0%	0%
Average forecasted volatility	60%	60%
Average risk-free interest rate	2.39%	2.19%
Average expected life	5 years	5 years
Fair value – weighted average of options issued	$2.46	$1.12

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

6. Share capital (continued)

Options (continued)

For the six-month period ended June 30, 2010, the total expense for the stock-based compensation was $2,069,000, compared to $501,000 for the same period in 2009. The counterpart for those costs was credited to contributed surplus. The stock-based compensation cost was calculated according to the weighted average fair value of options issued based on the Black-Scholes valuation model using the assumptions shown above and considering the vesting requirements.

A total of 641,000 options were exercised during the first six-month of 2010 under the Plan for a cash consideration of $1,358,000. An amount of $391,000 from these options has been reclassified from contributed surplus to share capital. In 2009, for the same period, a total of 30,000 options were exercised under the Plan for a cash consideration of $38,000. An amount of $12,000 from these options has been reclassified from contributed surplus to share capital in 2009.

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

	Six-month period ended June 30, 2010	
	Number of options (in thousands)	Weighted average exercise price ($)
Balance – beginning of period	10,438	1.93 (CA $2.02)
Forfeited	(125)	1.90 (CA $2.01)
Exercised	(641)	2.12 (CA $2.19)
Issued	1,860	4.55 (CA $4.83)
Balance – end of period	11,532	2.32 (CA $2.46)
Options exercisable – end of period	4,822	1.90 (CA $2.02)

7. Contributed surplus

The following table summarizes the changes in the company's contributed surplus:

	Six-month period ended June 30, 2010	Twelve-month period ended December 31, 2009
		$
Balance – beginning of period	5,998	4,797
Exercised options	(391)	(136)
Stock-based compensation	2,069	1,337
Balance – end of period	7,676	5,998

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

8. Financial instruments

In 2007, the company implemented a 55,000 ounce gold price put protection program for the Mana Mine, a requirement under its $45,000,000 debt facility.

During the year ended December 31, 2009, 5,000 ounces under the put protection program expired. Of the remaining outstanding ounces, 5,000 ounces will expire in 2010 and 45,000 ounces will expire in 2011. Consequently, the entire production is 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 for 50,000 ounces.

The 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 $100,000 during the six-month period ended June 30, 2010 (a loss of $1,366,000 for the same period in 2009) following the change in the fair value of derivative financial instruments. The cost of the options totaled $1,000,000 in 2007.

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, 2010		Six-month period ended June 30, 2010	
	Asset	Liability	Asset	Liability
	$	$	$	$
Fair value at beginning of period (calculated using a market price of $1,113 per ounce as at March 31, 2010 and $1,097 per ounce as at December 31, 2009)	95	-	145	-
Changes to fair value recognized in results	(50)	-	(100)	-
Fair value at end of period (calculated using a market price of $1,240 per ounce as at June 30, 2010)	45	-	45	-
Current portion of derivative financial instruments	1	-	1	-
Long-term portion of derivative financial instruments	44	-	44	-

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 Govi High Power Exploration Inc., a private company, which is included in Investments and other assets, is valued at cost of $19,600,000 which is below its fair value.

9. Net income per share

	Three-month period ended June 30		Six-month period ended June 30	
	2010	2009	2010	2009
	$	$	$	$
Net income for the year	33,631	10,721	47,436	19,623
Average weighted number of outstanding common shares	256,234	234,089	253,618	233,403
Effect of dilutive stock options and warrants	8,633	1,446	7,867	1,177
Average weighted number of outstanding diluted common shares	264,867	235,535	261,485	234,580
Basic income per share	0.13	0.05	0.19	0.08
Diluted income per share	0.13	0.05	0.18	0.08

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

10. Commitments and Contingency

As at June 30, 2010, the company had purchase commitments totaling approximately $2,866,000 related to the Mana Mine expansion project and $6,005,000 related to the new mining fleet at the Samira Hill Mine in Niger.

The Company received from the Burkinabe tax authorities at the end the first quarter of 2010 a tax assessment for the years 2007 and 2008 of $13,800,000 plus an additional $14,400,000 in penalties. The assessment covers mainly three items: value added tax, which the company believes it was exempted from paying during the construction phase of the Mana project under its mining agreement with the government of Burkina Faso, withholding taxes on interests paid to a non-resident shareholder, which the company believes it is exempted from paying under applicable law, and the transfer of property between two of the company's Burkinabe subsidiaries which was done to allow the government of Burkina Faso to own 10% of the operating subsidiary. The Company is vigorously defending its positions and has already began discussions on all items with the Burkinabe authorities.

The final outcome of this matter is not determinable at this time and therefore a contingent loss has not been accrued as at June 30, 2010. Any amount paid will be recognized in the company's consolidated financial statements at the time of the settlement.

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

11. 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	
	2010 $	2009 $	2010 $	2009 $
Accounts receivable	(1,135)	(6,651)	2,110	(4,813)
Prepaid expenses	(382)	(53)	(1,318)	(1,930)
Inventories	(2,434)	(3,003)	(6,474)	(3,112)
Other assets	-	183	-	251
Accounts payable and accrued liabilities	2,788	(1,296)	(4,928)	(4,054)
Income tax payable	1,047	-	4,545	-
Settlement of liabilities related to asset retirement obligations	(4)	(16)	(6)	(18)
	(120)	(10,836)	(6,071)	(13,676)

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

	Three-month period ended June 30		Six-month period ended June 30	
	2010 $	2009 $	2010 $	2009 $
Amortization of property, plant and equipment allocated to exploration	16	10	31	24
Net effect of amortization of property, plant and equipment allocated to inventories	(1,620)	(775)	(855)	(745)
New asset retirement obligations allocated to property, plant and equipment	164	152	329	289

c) Cash flows related to interest and income tax

	Three-month period ended June 30		Six-month period ended June 30	
	2010 $	2009 $	2010 $	2009 $
Interest paid during the period	563	1,166	1,220	2,329
Income tax paid during the period	5,343	-	5,343	-

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

12. 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, 2010
	Mana Mine, Burkina Faso $	Samira Hill Mine, Niger $	Kiniero Mine, Guinea $	Corporate and others $	Total $
Revenue – Gold sales	60,756	18,344	7,985	-	87,085
Mining operations	17,833	8,432	4,146	-	30,411
Government royalties	1,812	1,021	427	-	3,260
Amortization of property, plant and equipment	6,770	2,363	2,139	39	11,311
Administration	200	468	564	3,228	4,460
Accretion expense of asset retirement obligation	36	52	29	-	117
Operating income (loss)	**34,105**	**6,008**	**680**	**(3,267)**	**37,526**

					Three-month period ended June 30, 2009
Revenue – Gold sales	34,209	15,654	8,783	-	58,646
Mining operations	12,067	10,370	4,508	-	26,945
Government royalties	1,029	881	465	-	2,375
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**

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

12. 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.

					Six-month period ended June 30, 2010
	Mana Mine, Burkina Faso $	Samira Hill Mine, Niger $	Kiniero Mine, Guinea $	Corporate and others $	Total $
Revenue – Gold sales	99,706	33,833	17,121	-	150,660
Operating expenses	31,159	16,499	9,868	-	57,526
Government royalties	2,983	1,885	926	-	5,794
Amortization of property, plant and equipment	13,145	4,671	4,734	77	22,627
Administration	588	850	1,074	4,917	7,429
Accretion expense of asset retirement obligation	74	104	57	-	235
Operating income (loss)	**51,757**	**9,824**	**462**	**(4,994)**	**57,049**
Property, plant and equipment	135,293	61,258	25,723	512	222,786
Total assets	211,126	90,006	43,898	160,350	505,380

					Six-month period ended June 30, 2009
Revenue – Gold sales	62,675	26,313	19,153	-	108,141
Operating expenses	24,494	18,445	9,531	-	52,470
Government royalties	1,877	1,474	1,014	-	4,365
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

13. Comparatives figures

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.

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