SUSTAINABLE GROWTH

Second Quarter
For the period ended
June 30, 2011

SEMAFO

INTERNATIONAL EXPERTISE
HUMAN ADVOCACY

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

This Management's Discussion and Analysis ("MD&A") provides an analysis to enable readers to assess material changes in financial condition and results of operations for the three-month period ended June 30, 2011 compared to the corresponding period last year. This MD&A, prepared as of August 9, 2011, is intended to complement and supplement our Unaudited Condensed Consolidated Financial Statements (the "financial statements") as at June 30, 2011. It should be read in conjunction with our MD&A and Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2010 as well as with our MD&A and Unaudited Condensed Consolidated Financial Statements published for the first quarter of 2011. Our financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing our results of operation and our financial performance.

Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standards 34 ("IAS 34") – Interim Financial Reporting. Previously, the Corporation prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Corporation's 2010 comparatives in this MD&A have been presented in accordance with IFRS. All dollar amounts contained in this MD&A are expressed in US dollars, unless otherwise specified.

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

1. Financial and Operating Highlights

	Three-month period ended June 30		Six-month period ended June 30	
	2011	2010	**2011**	2010
Gold ounces produced	**63,800**	68,300	**123,800**	134,100
Gold ounces sold	**66,100**	72,000	**122,800**	129,200
(In thousands of dollars, except amounts per ounce, per tonne and per share)				
Revenues – Gold sales	**100,398**	87,085	**179,765**	150,660
Operating income	**40,590**	36,565	**65,960**	54,636
Net income	**32,851**	30,704	**53,243**	42,667
Attributable to:				
Equity shareholders of the Corporation	**30,631**	29,916	**48,800**	41,710
Non-controlling interest	**2,220**	788	**4,443**	957
Basic net income per share	**0.11**	0.12	**0.18**	0.16
Diluted net income per share	**0.11**	0.11	**0.17**	0.16
Cash flow from operating activities [1]	**43,191**	41,314	**74,508**	66,580
Operating cash flow per share [2]	**0.16**	0.16	**0.27**	0.26
Average realized selling price (per ounce)	**1,519**	1,210	**1,464**	1,166
Cash operating cost (per ounce produced) [3]	**590**	426	**584**	441
Cash operating cost (per tonne processed) [3]	**36**	31	**35**	32
Total cash cost (per ounce sold) [4]	**660**	468	**657**	490
Total cash margin (per once sold) [5]	**859**	742	**807**	676

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

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

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

4 Total cash cost is a non-GAAP financial performance measure with no standard definition under IFRS and represents the mining operating expenses and government royalties per ounce sold. See the "Non-GAAP financial performance measures" section of this MD&A.

5 Total cash margin is a non-GAAP financial performance measure with no standard definition under IFRS and is calculated using the average realized selling price and the total cash cost.

A Word from the CEO

With continued strong performance at our Mana property in Burkina Faso and spurred on by a strong gold price, our second quarter revenues increased by 15% over the same period last year and by 26% compared to the first quarter of 2011.

We achieved new milestones during the quarter with revenues reaching a record $100.4 million for the three-month period ended June 30, 2011. Our operating income attained an all-time high of $40.6 million for the quarter, an increase of 11% year over year and 60% compared to Q1 2011. We established a record $32.9 million in net income, representing a 7% increase over the same period last year. This quarter also saw record cash flow from operating activities of $43.2 million.

Our operating cost per ounce produced for the three-month period ended June 30, 2011 increased by 2% quarter over quarter despite rapidly rising energy costs industry wide. Our total cash margin was $859 per ounce sold for the quarter, bringing our six-month total cash margin to $807 per ounce sold compared to $676 for the same period in 2010, a 19% increase.

On the operations side, our Mana mine evidenced sustainable growth as a result of the completion of three phases of plant expansion. Mana's operations team delivered another strong performance with new records for ore processed, gold ounces produced, gold ounces sold and revenues. Phase IV of the plant expansion is progressing well and on schedule for commissioning by year-end.

In the second quarter, we green-lighted the development of the Mana underground project following the results of the Underground feasibility study. Our human resources group is recruiting individuals specialized in underground mining and operations to complement and lend support to our team. Negotiations are underway with an experienced underground mining contractor who will bring the operation to start-up as well as train local staff. In light of the recent expansion of the Wona SW zone, which demonstrates opportunities to further increase underground reserves from those reported in the underground feasibility study, we are reviewing and optimizing mine engineering.

SEMAFO's geology team successfully doubled the strike length of the newly-discovered Yaho zone to over 1.5 kilometers. This mineralization, which remains open in all directions, represents a new style of mineralization considerably different from Wona and Nyafé. These results also bring a better understanding of the zone which will assist our team in determining future work to ultimately increase resources. The new Yaho gold zone, which demonstrates outstanding mineralization widths, complements the Fofina – Fobiri discovery where assay results continue to suggest a high-grade mineralization with some similarities of the gold producing Nyafé deposit. The Fofina zone remains partially open and could provide additional flexibility to the Mana strategic plan in the near future.

Air core drilling was carried out on the Massala-Saoura area during the first half of 2011 following the completion of magnetic and Helitem surveys, which identified regional scale anomalies associated with historical surface sample results ranging up to 13.8 g/t Au. With less than 15% of assayed samples received from the total 28,235 meters drilled, preliminary results already indicate the potential for significant mineralization. Hole MAC11-1613 returned 6.77 g/t Au across 8 meters along what appears to be a regional scale geological contact identified from the airborne magnetic-Helitem survey.

Given SEMAFO's successful year-to-date exploration results at Mana and taking into consideration our growth strategy and increased production objectives at our current facility, we have allocated an additional $8.5 million to Mana's 2011 exploration budget. Exploration is to include more infill and delineation drilling which will be carried out this year on the different areas such as Fofina, Fobiri, Yaho, Wona SW and Massala-Saoura.

In late June, we announced the decision to build an exploration laboratory which will be located on the Mana property. This facility will significantly reduce the turnaround time for drilling assay results.

Our savoir-faire is fundamental to our commitment to maximize shareholder value, and was recognized by His Excellency Burkina Faso Prime Minister Luc Adolphe TIAO last month when he led a delegation which included the Minister of Mines, Quarries, and Energy, Salif Lamoussa KABORE on a visit to the Mana mine. On many occasions during the visit, His Excellency praised SEMAFO's exemplary performance and commitment to community service.

Benoit La Salle, FCA

President and Chief Executive Officer

SECOND QUARTER 2011 – HIGHLIGHTS

- Gold production of 63,800 ounces
- Record gold sales of $100.4 million, a 15% increase over the same period in 2010
- Record operating income of $40.6 million, an increase of 11% compared to the same period in 2010
- Record net income of $32.9 million, an improvement of 7% over the same period last year
- Net income attributable to equity shareholders of the Corporation of $30.6 million or $0.11 per share compared to $29.9 million or $0.12 per share for the same period last year
- Record cash flow from operating activities[1] of $43.2 million or $0.16 per share
- Record throughput and production at Mana with 627,200 tonnes of ore processed and 47,800 ounces produced, respectively
- Follow-up drilling that more than doubled the strike length of the gold mineralization on our recently discovered Yaho zone at Mana
- Drilling at Mana's Fofina area continues to suggest a high-grade mineralization with some similarities to the gold-producing Nyafé deposit
- Encouraging initial drill results from Mana's Massala-Saoura area
- Mana's 2011 exploration budget gets $8.5 million increase
- Mana Underground receives green light

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

2011 – Objectives[1]

Maximize value

- Pursue aggressive at-depth and on-surface exploration programs at Mana – initial budget of $30 million
- Commence development of Wona Deep underground mining operation
- Maintain robust exploration at Samira Hill – budget of $4.8 million

Disciplined Growth

- Achieve production of between 238,000 and 263,000 ounces of gold at a cash operating cost of between $595 and $645 per ounce
- Increase Mana plant capacity to attain throughput of up to 8,000 tonnes per day in blended ore
- Attract and retain best mining talent

Responsible Mining

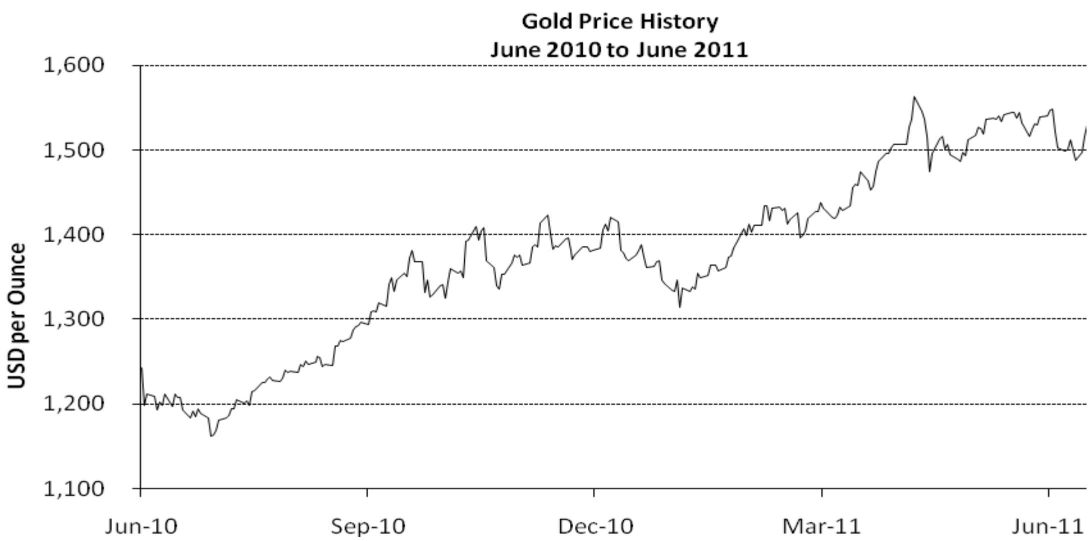
- Manage effectively to minimize our environmental footprint
- Continue corporate philanthropy program, donating up to 2% of net income to *Fondation SEMAFO*
- Support government initiatives in host countries
- Increase employee training and development programs
- Maintain and improve our health and safety programs

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

2. Key Economic Trends

Price of Gold

The price of gold is the most significant factor affecting our profitability and our operating cash flows. Accordingly our current and future financial performance is closely linked to the price of gold. The price of gold is subject to volatile price movements over short periods of time and is affected by various industry and macroeconomic factors that are beyond our control, such as currency exchange rate fluctuation and the relative strength of the US dollar, inflation expectations and increased demand for gold as an investment class asset from retail and institutional investors. During the second quarter of 2011 the price of gold, based on the London Gold Fix, fluctuated between $1,418 to a high of $1,553 per ounce due to continuing economic and political uncertainties. The average market gold price for the quarter was $1,506 per ounce, representing an increase of $309 or 26% compared to the $1,197 per ounce average market gold price for the same period in 2010.



During the second quarter of 2011, our average realized selling price was $1,519 per ounce compared to the average London Gold Fix of $1,506.

	2011		2010	
(In dollars per ounce)	**Q2**	**Q1**	**Q2**	**Q1**
Average London Gold Fix	**1,506**	**1,386**	1,197	1,109
Average realized selling price	**1,519**	**1,400**	1,210	1,111

Cost Pressures

The Corporation has been impacted by industry-wide cost pressures on development and operating costs. Since our mining activities are fuel intensive, a change in fuel prices can have a significant impact on our operations and associated financial results. Our three sites have experienced ongoing fuel cost increases during the first six months of 2011 compared to the same period in 2010. As a market indicator explaining the rise in fuel costs, the Brent Crude price averaged $117 per barrel during the second quarter of 2011, compared with $79 per barrel for the same period in 2010, representing a significant 49% increase.

Foreign Currencies

Our mining operations and exploration activities are carried out in West Africa, with a portion of operating costs and capital expenditures denominated in foreign currencies, especially the Euro. For the second quarter of 2011, the Euro was stronger relative to the US dollar when compared with the same period in 2010 on a quarterly average basis, which negatively impacted our operating cost.

3. Exploration Programs

SEMAFO's 2011 exploration program with an initial budget established at $39 million, including $30 million for our Mana property in Burkina Faso, is well underway on our more than 4,500 square kilometers of permitted land. Given SEMAFO's successful year-to-date exploration results at Mana and taking into consideration our growth strategy and increased production objectives at our current facility, we have allocated an additional $8.5 million to Mana's 2011 exploration budget. Exploration is to include more infill and delineation drilling which will be carried out this year on the different areas such as Fofina, Fobiri, Yaho, Wona SW and Massala-Saoura.

At the Kiniero mine, the exploration budget has been increased by $1 million in order to include the Gobelé D deposit to the SGA upgraded reassessment.

Burkina Faso

The recently discovered Yaho zone now extends more than 1.5 kilometers. Initial drilling identified a continuous strike length over 600 meters and follow-up drilling extended the gold zone to the south and to the north. The Yaho zone remains open on strike and at depth.

In addition, three core drill holes have been completed in order to characterize the geological environment of the mineralization and understand the structural controls. Assay results from the core holes remain pending.

Yaho Zone Reverse-Circulation Drilling Highlights

DDH No.	Section (N)	From	To	Au / Length *
MRC11-410	1310200	113.00	132.00	**1.56 g/t / 19.0 m**
MRC11-411	1310200	76.00	87.00	**1.22 g/t / 11.0 m**
MRC11-412	1310200	9.00	16.00	**1.80 g/t / 7.0 m**
MRC11-412	1310200	32.00	53.00	**1.16 g/t / 21.0 m**
Including		32.00	42.00	**1.72 g/t / 10.0 m**
MRC11-298	16050	84.00	88.00	**2.32 g/t / 4.0 m**
MRC11-299	16050	60.00	64.00	**2.82 g/t / 4.0 m**
MRC11-299	16050	90.00	104.00	**1.90 g/t / 14.0 m**
Including		90.00	95.00	**3.40 g/t / 5.0 m**
MRC11-299	16050	111.00	116.00	**2.21 g/t / 5.0 m**
MRC11-320	16050	91.00	97.00	**1.09 g/t / 6.0 m**
MRC11-335	15250	158.00	167.00	**1.17 g/t / 9.0 m**
MRC11-336	15250	126.00	132.00	**2.36 g/t / 6.0 m**
MRC11-338	15250	141.00	160.00	**1.19 g/t / 19.0 m**
MRC11-339	15250	36.00	47.00	**1.78 g/t / 11.0 m**
MRC11-447	15250	92.00	103.00	**1.38 g/t / 11.0 m**
MRC11-448	15250	51.00	58.00	**1.05 g/t / 7.0 m**

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

Three additional sections were completed to the north and south of the known mineralization. As of the end of June, a total of 67 reverse-circulation ("RC") holes (10,058 meters) and three core holes (951 meters) had been completed along a strike length. All but one section (1310200N) were drilled obliquely to the north-south trending mineralization.

The second phase of RC and core drilling provides a better understanding of the area's host rock. The Yaho zone is hosted by a clastic sedimentary unit which varies from a conglomerate to a quartz-rich sandstone (Figure 1). The conglomerate beds observed are polymictic with abundant quartz-rich clasts and occasional rounded clasts of volcanic origin. The clastic unit is bounded by basaltic flows to the west and a sequence of fine graphitic sediments and volcanoclastics to the east. Alteration is constrained to the clastic unit and consists of strong pervasive sericitization and silicification. Some quartz veining is also present, although not pervasive. Mineralization occurs as a series of stacked zones varying in widths of up to 19 meters on the three newly drilled sections. Mineralization includes disseminated pyrite and arsenopyrite in varying amounts, ranging up to 5 to 10 percent locally. As shown in Figure 2, anomalous gold grades are very common in the clastic unit with many higher-grade sections, which appear to continue at depth from hole to hole over wide intervals. Gold grades obtained across the mineralized zone show excellent consistency, which also suggests that a similar regular grade distribution probably occurs along strike.

3. Exploration Programs (continued)

Burkina Faso (continued)

Section 1310200N is virtually perpendicular to the zone and shows a moderate dip of both the host unit and the gold-bearing zones. The host unit trends generally north-south, but is also folded along an east-west fold axis representing a second phase of folding commonly seen across the entire property. The core of the zone seems to be located at the hinge of the latter folding, although the details of the geometry remain to be clearly established.

The Yaho zone represents a new style of mineralization, considerably different from Wona and Nyafé. Recent work provides a much better understanding of the Yaho zone, which will assist us in determining future work to ultimately increase resources. It also further accentuates Mana's exceptional potential as host to various styles of mineralization.

Additional drilling at Yaho will include delineation of the currently known 1.5- to 2-kilometer strike length, as well as further exploration of sections to the north and south to extend the strike potential.

We are experiencing significant delays in obtaining drill results due to substantial backlog at the independent assays laboratories in Ouagadougou. Consequently, SEMAFO has decided to build an exploration laboratory to be located on the Mana property. This facility will significantly reduce the turnaround time for drilling assay results.

At the Fofina area, RC delineation drilling at 25-meter intervals was carried out within the core of the zone in May 2011. As of early July, we were in receipt of 64 percent of assay results which continue to suggest a high-grade mineralization with some similarities to the gold-producing Nyafé deposit located 3 kilometers east of Fofina (ref. Figure 3). While some assays remain pending, current data supports our original interpretation which remains consistent with the position of most of the new intersections.

Fofina Area Reverse-Circulation Drilling Highlights

DDH No.	Section (N)	From	To	Au* / Length **
MRC11-420	20850	7.0	32.0	**4.29 g/t / 25 m**
				(4.40 g/t uncut)
MRC11-458	20500	81.0	85.0	**3.35 g/t / 4 m**
MRC11-462	20600	154.0	160.0	**2.63 g/t / 6 m**
MRC11-463	20600	13.0	16.0	**2.18 g/t / 3 m**
MRC11-464	20600	115.0	122.0	**7.49 g/t / 7 m**
MRC11-465	20600	32.0	34.0	**17.22 g/t / 2 m**
				(23.22 g/t uncut)
MRC11-466	20600	32.0	36.0	**7.49 g/t / 4 m**
MRC11-468	20650	14.0	28.0	**2.14 g/t / 14 m**
MRC11-468	20650	153.0	156.0	**2.61 g/t / 3 m**
MRC11-469	20650	105.0	107.0	**9.41 g/t / 2 m**
MRC11-469	20650	125.0	128.0	**2.84 g/t / 3 m**
MRC11-469	20650	169.0	177.0	**19.46 g/t / 8 m**
				(24.32 g/t uncut)
MRC11-470	20650	53.0	54.0	**11.80 g/t / 1 m**
MRC11-470	20650	62.0	67.0	**3.16 g/t / 5 m**
MRC11-470	20650	200.0	203.0	**3.26 g/t / 3 m**
MRC11-471	20650	38.0	42.0	**1.78 g/t / 4 m**
MRC11-472	20650	8.0	11.0	**5.70 g/t / 3 m**
MRC11-472	20650	48.0	51.0	**4.32 g/t / 3 m**
MRC11-474	20800	130.0	136.0	**4.26 g/t / 6 m**
MRC11-478	20800	11.0	14.0	**3.80 g/t / 3 m**

* All assays are cut at 30 g/t as per the Nyafé deposit.

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

3. Exploration Programs (continued)

Burkina Faso (continued)

In the first six months of 2011, a total of 8,864 meters (30 holes) have been completed. Tighter spacing was favored due to the number of different parallel zones identified and the undulating nature of the mineralization. In addition, the mineralization has a low structural expression, particularly where the mineralization is narrow or pinched out. The close proximity of the spacing provides a better statistical database which consequently adds to the reliability of the interpretation.

A total of eight different zones (Fofina, and V1 to V7) are currently known in the area. At year-end 2010, inferred resources for the eight zones totalled 8,421,300 tonnes grading 3.15 g/t Au. The objective of the 2011 exploration program is to upgrade the near-surface resources and bring a portion to the reserves.

The Fofina zone, our first discovery in 2010, continues to show high grade potential and remains partially open. Accordingly, this deposit could provide additional flexibility to the Mana strategic plan in the near future. While the Fofina zone doesn't have an obvious visual expression, its grade and stacked geometry will clearly lend to the positive economics of the deposit.

Following reception of the remaining assay results, SEMAFO will proceed with a follow-up program to refine the delineation where required and complete metallurgical work in order to provide the technical parameters necessary to establish the economics of the open pit potential of the Fofina deposit.

The air core ("AC") drilling program is under way on the Massala and Saoura permits located approximately 90 kilometers north of the Mana Mill in Burkina Faso (ref. Figure 5). Air core drilling was carried out during the first half of 2011 following the completion of magnetic and Helitem surveys, which identified regional scale anomalies associated with historical surface sample results ranging up to 13.8 g/t Au. With less than 15% of assayed samples received from the total 28,235 meters drilled, preliminary results already indicate the potential for significant mineralization. Hole MAC11-1613 returned 6.77 g/t Au across 8 meters along what appears to be a regional scale geological contact identified from the airborne magnetic-Helitem survey (ref. Figure 4).

Massala-Saoura Area Air Core Drilling Highlights

DDH No.	Section (N)	From	To	Au* / Length **
MAC11-1613	L6	31.00	39.00	**6.77 g/t / 8.0 m**
MAC11-1615	L6	3.00	4.00	**1.58 g/t / 1.0 m**
MAC11-1615	L6	33.00	34.00	**2.05 g/t / 1.0 m**
MAC11-1619	L6	31.00	33.00	**1.06 g/t / 2.0 m**
MAC11-1619	L6	37.00	39.00	**1.30 g/t / 2.0 m**
MAC11-1619	L6	43.00	45.00	**1.21 g/t / 2.0 m**
MAC11-1620	L6	26.00	27.00	**4.56 g/t / 1.0 m**
MAC11-1620	L6	36.00	38.00	**1.20 g/t / 2.0 m**
MAC11-1634	L6	11.00	12.00	**2.31 g/t / 1.0 m**
MAC11-1655	L6	0.00	1.00	**1.35 g/t / 1.0 m**
MAC11-1669	L6	7.00	8.00	**1.04 g/t / 1.0 m**
MAC11-1681	L6	24.00	27.00	**0.45 g/t / 3.0 m**
MAC11-1684	L6	18.00	23.00	**0.78 g/t / 5.0 m**
MAC11-1734	L5	1.00	2.00	**1.10 g/t / 1.0 m**
MAC11-1736	L5	13.00	14.00	**1.46 g/t / 1.0 m**
MAC11-1738	L5	29.00	30.00	**1.29 g/t / 1.0 m**
MAC11-1738	L5	41.00	42.00	**3.59 g/t / 1.0 m**
MAC11-1739	L5	24.00	25.00	**8.35 g/t / 1.0 m**
MAC11-1740	L5	1.00	4.00	**1.32 g/t / 3.0 m**
MAC11-1745	L5	44.00	45.00	**1.28 g/t / 1.0 m**
MAC11-1747	L5	6.00	8.00	**0.78 g/t / 2.0 m**
MAC11-1779	L5	11.00	12.00	**1.42 g/t / 1.0 m**
MAC11-1805	L5	32.00	33.00	**0.84 g/t / 1.0 m**
MAC11-1819	L5	26.00	30.00	**0.43 g/t / 4.0 m**
MAC11-1855	L5	5.00	6.00	**0.87 g/t / 1.0 m**
MAC11-1858	L5	8.00	9.00	**0.98 g/t / 1.0 m**

* All assays are cut at 30 g/t.
** All lengths are measured along the hole axis; additional information is required to determine true widths.

3. Exploration Programs (continued)

Burkina Faso (continued)

The 2011 program at Massala consisted of drilling a series of six profiles across the permits (1,001 holes totalling 28,235 meters) covering two main magnetic-Helitem trends, which we believe represent major regional contacts or deformation zones. Both trends cross SEMAFO's permits for a strike length of more than 15 kilometers each. The profiles are covered by short AC holes that are designed to test only the saprolitic horizon to a maximum depth of 50 meters. Both the west and east trends have similar geophysical signatures to that of the Wona deposit area. The magnetic and Helitem surveys suggest a series of magnetic and conductive units with a northeast orientation. Based on IP and magnetic data, these signatures are known to represent volcanosedimentary packages, such as those that host the Wona deposit. At Massala, the East Trend was considered interesting at the onset of the drilling program, considering the associated historic surface sample results, including 13.8 g/t Au. Section L6 is the northernmost section completed and the only section from which all assay results have been received. Near the west end of the line, hole MAC11-1613 returned high grade results including 6.77 g/t Au across 8 meters, as well as with other nearby gold values over short widths. This corridor appears to represent a regional contact and/or deformation zone where evidence of some minor artisanal mining was noted.

Also of significance is hole MAC11-1739 on line L5, which returned 8.35 g/t Au across 1 meter from the West Trend. The West Trend was not clearly visible from the magnetic survey but the Helitem clearly shows a second conductive trend similar in strike length to the East Trend (ref. Figure 4). Although this interval is narrow and requires further investigation to clearly identify its significance, it does demonstrate that the West Trend has potential.

The early results at Massala have underlined the potential of the Massala-Saoura Permits. Considering that we are in receipt of results from only one and a half of six lines, follow-up targets are already being generated and we expect more to materialize as the remaining results become available.

As the remaining 85% of the assay results are received, a systematic RC drilling program will be designed for immediate follow-up to significant results. The RC drilling will be designed to provide an indication of continuity, geometry, and geology of the gold-bearing occurrences identified.

These results and the non-scheduled new targets generated by the Helitem survey have prompted additional unbudgeted exploration. With this in mind and taking into consideration the success of our 2011 exploration activities to date, SEMAFO has elected to increase Mana's exploration budget by $8.5 million. This will enable the extension of the Helitem survey to other permitted areas, and allow for new auger drilling programs and seek extensions of known zones. A significant portion of the additional budget will be allocated to carry out infill drilling with the objective of bringing additional reserves in support of SEMAFO's growth strategy and production increase plans. Among the targets scheduled are: newly expanded blocks over Wona SW, completing the Fofina program and optimizing the potential adding of resources and reserves on the new Yaho zone.

3. Exploration Programs (continued)

Niger

Exploration at the Samira Hill Mine, with a budget of $4.8 million, is focusing primarily on the identification of new oxide deposits. More than 30,000 meters of AC and 40,000 meters of RC drilling are planned including:

- 25,000 meters of RC drilling over the most prospective area around Boulon Jounga open pit, and 8,000 meters of AC over more distal potentials
- 3,000 meters of RC delineation drilling over Sikia
- Various projects around Libiri
- Early stage exploration program at Tondé Babangou, Gare Garé and Bouli

Guinea

At the Kiniero Mine, core and RC drilling will be carried out with an increased budget totalling $4 million, including:

- $3 million in mining project development over SGA (Secteur Gobelé A plus Gobelé D) with 16,000 meters of drilling including 4,000 meters of core drilling and 12,000 meters of RC drilling
- $900,000 for 10,000 meters of RC drilling over the OBD, OBE sectors as well as a portion of Zone D and Sud JG
- $100,000 of soil geochemical surveying and trenching over our Siguiri assets

Figure 1

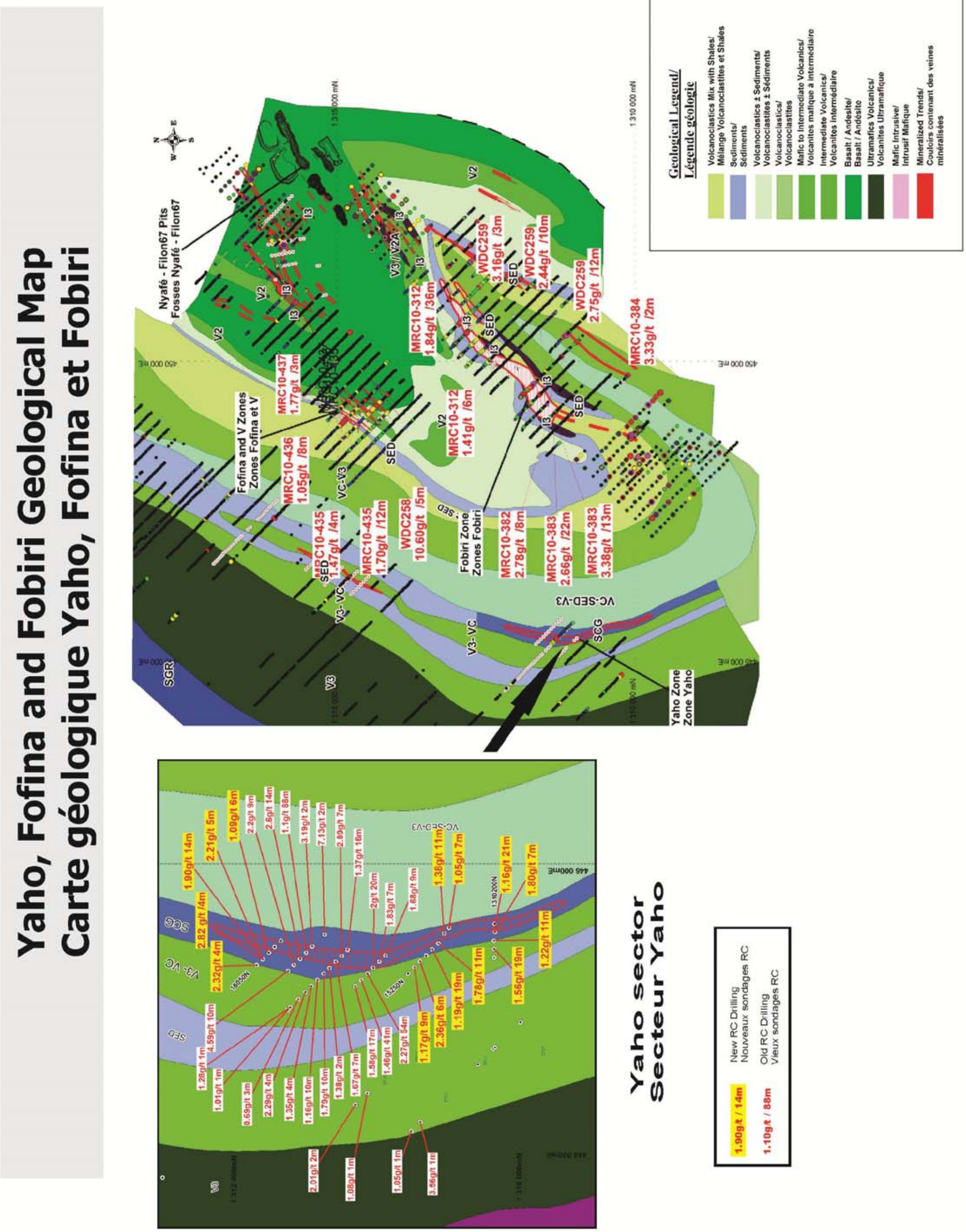

Yaho, Fofina and Fobiri Geological Map
Carte géologique Yaho, Fofina et Fobiri
Nyafé - Filon67 Pits
Fosses Nyafé - Filon67
Fofina and V Zones
Zones Fofina et V
Fobiri Zone
Zones Fobiri
Yaho Zone
Zone Yaho
MRC10-437 1.77g/t /3m
MRC10-436 1.05g/t /8m
MRC10-435 1.47g/t /4m
MRC10-435 1.70g/t /12m
WDC258 10.60g/t /5m
MRC10-312 1.84g/t /36m
MRC10-312 1.41g/t /6m
MRC10-382 2.78g/t /8m
MRC10-383 2.66g/t /22m
MRC10-383 3.38g/t /13m
WDC259 3.16g/t /3m
WDC259 2.44g/t /10m
WDC259 2.75g/t /12m
MRC10-384 3.33g/t /2m
Geological Legend/
Légende géologie
Volcanoclastics Mix with Shales/
Mélange Volcanoclastites et Shales
Sediments/
Sédiments
Volcanoclastics ± Sediments/
Volcanoclastites ± Sédiments
Volcanoclastics/
Volcanoclastites
Mafic to Intermediate Volcanics/
Volcanites mafique a intermediaire
Intermediate Volcanics/
Volcanites intermédiaire
Basalt / Andesite/
Basalt / Andésite
Ultramafics Volcanics/
Volcanites Ultramafique
Mafic Intrusive/
Intrusif Mafique
Mineralized Trends/
Couloirs contenant des veines minéralisées
Yaho sector
Secteur Yaho
1.90g/t / 14m
New RC Drilling
Nouveaux sondages RC
1.10g/t / 88m
Old RC Drilling
Vieux sondages RC

Figure 2

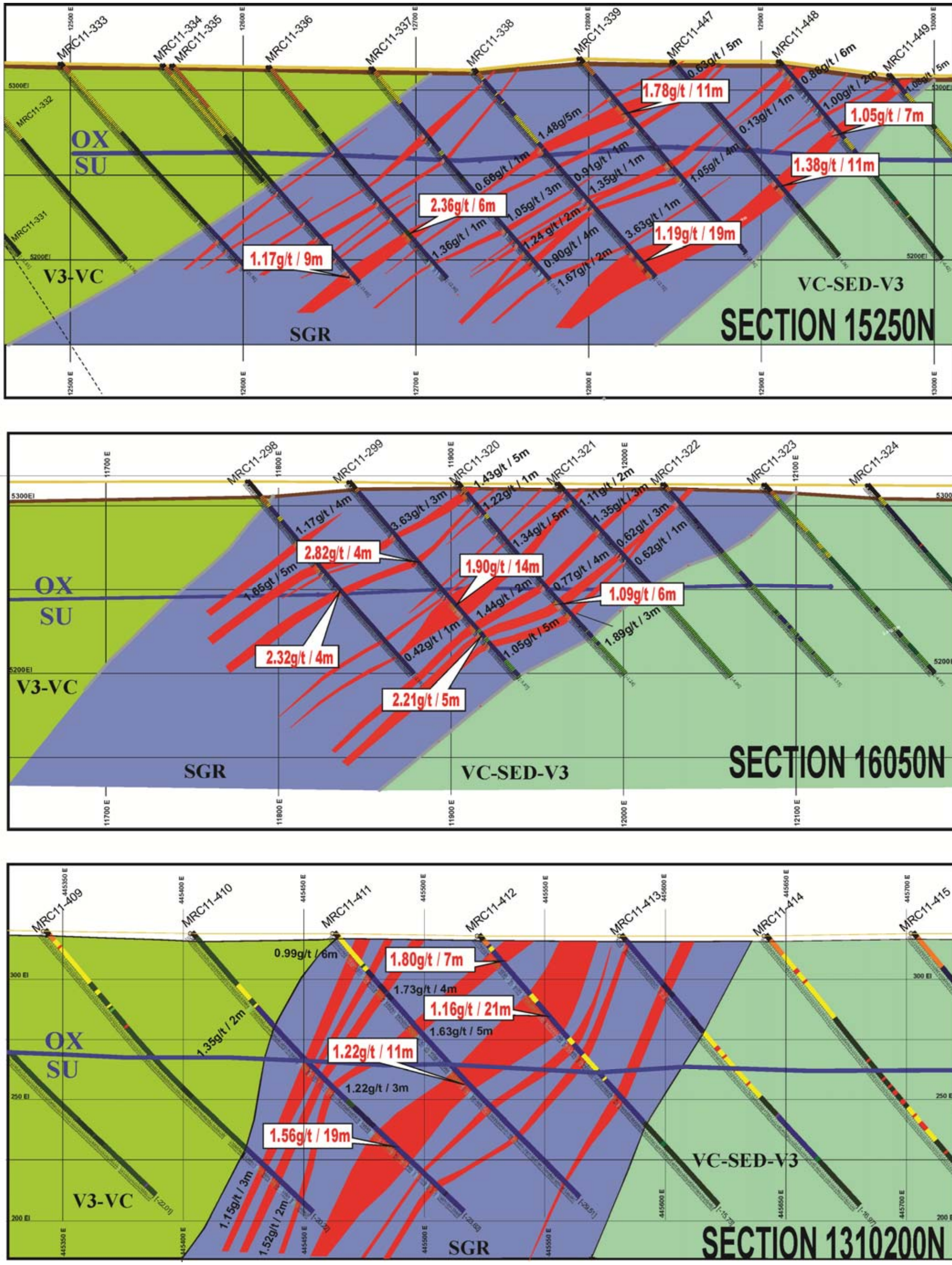
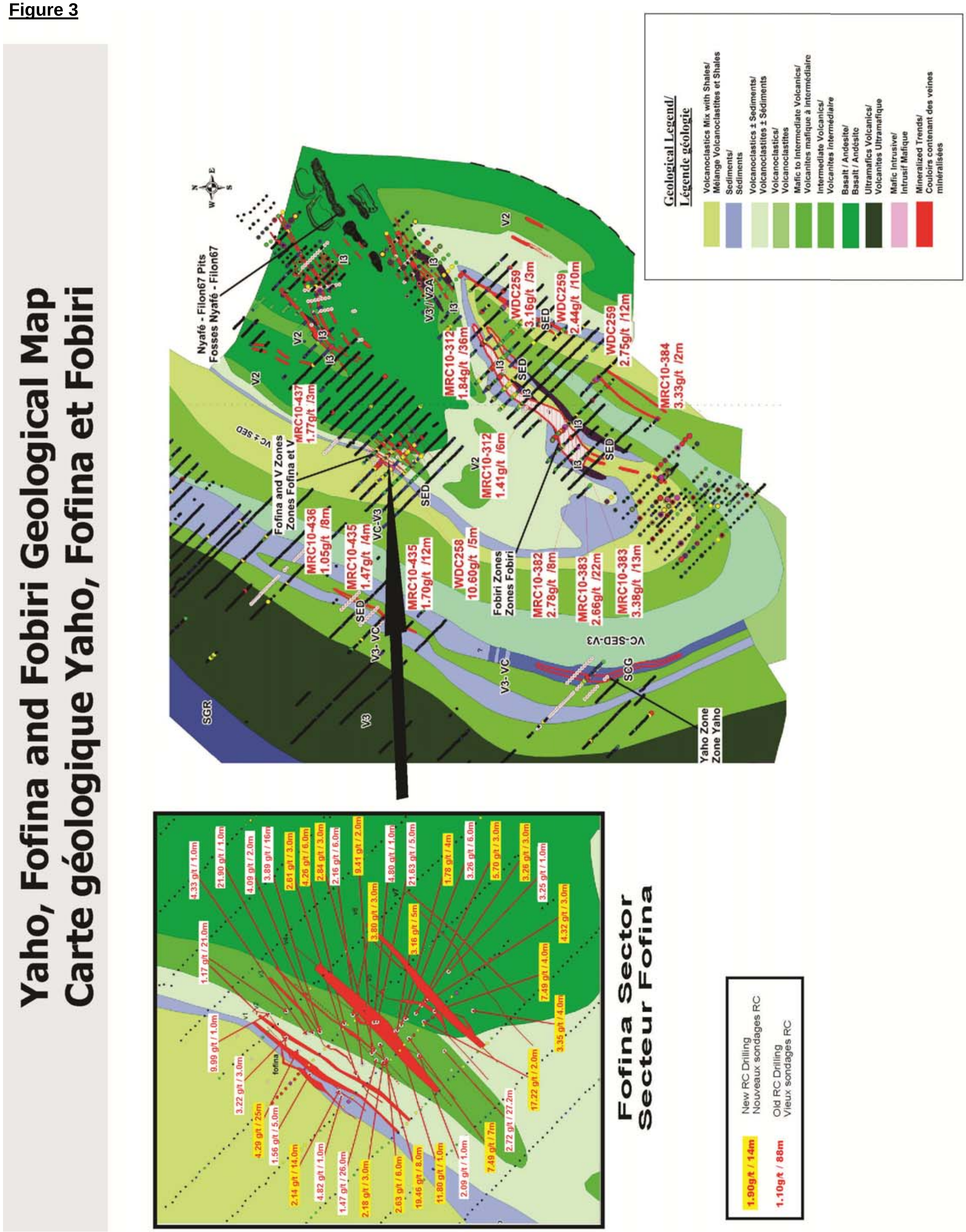

MRC11-333
MRC11-334
MRC11-335
MRC11-336
MRC11-337
MRC11-338
MRC11-339
MRC11-447
MRC11-448
MRC11-449
MRC11-332
MRC11-331
OX
SU
V3-VC
SGR
VC-SED-V3
1.78g/t / 11m
1.05g/t / 7m
1.38g/t / 11m
2.36g/t / 6m
1.19g/t / 19m
1.17g/t / 9m
SECTION 15250N
MRC11-298
MRC11-299
MRC11-320
MRC11-321
MRC11-322
MRC11-323
MRC11-324
2.82g/t / 4m
1.90g/t / 14m
1.09g/t / 6m
2.32g/t / 4m
2.21g/t / 5m
OX
SU
V3-VC
SGR
VC-SED-V3
SECTION 16050N
MRC11-409
MRC11-410
MRC11-411
MRC11-412
MRC11-413
MRC11-414
MRC11-415
0.99g/t / 6m
1.80g/t / 7m
1.73g/t / 4m
1.16g/t / 21m
1.63g/t / 5m
1.22g/t / 11m
1.22g/t / 3m
1.56g/t / 19m
OX
SU
V3-VC
VC-SED-V3
SGR
SECTION 1310200N

Figure 3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Volcanoclastites
Mafic to Intermediate Volcanics/
Volcanites mafique à intermédiaire
Intermediate Volcanics/
Volcanites intermédiaire
Basalt / Andesite/
Basalt / Andésite
Ultramafics Volcanics/
Volcanites Ultramafique
Mafic Intrusive/
Intrusif Mafique
Mineralized Trends/
Couloirs contenant des veines minéralisées
Nyafé - Filon67 Pits
Fosses Nyafé - Filon67
Fofina and V Zones
Zones Fofina et V
Fobiri Zones
Zones Fobiri
Yaho Zone
Zone Yaho
Fofina Sector
Secteur Fofina
New RC Drilling
Nouveaux sondages RC
Old RC Drilling
Vieux sondages RC

Figure 4

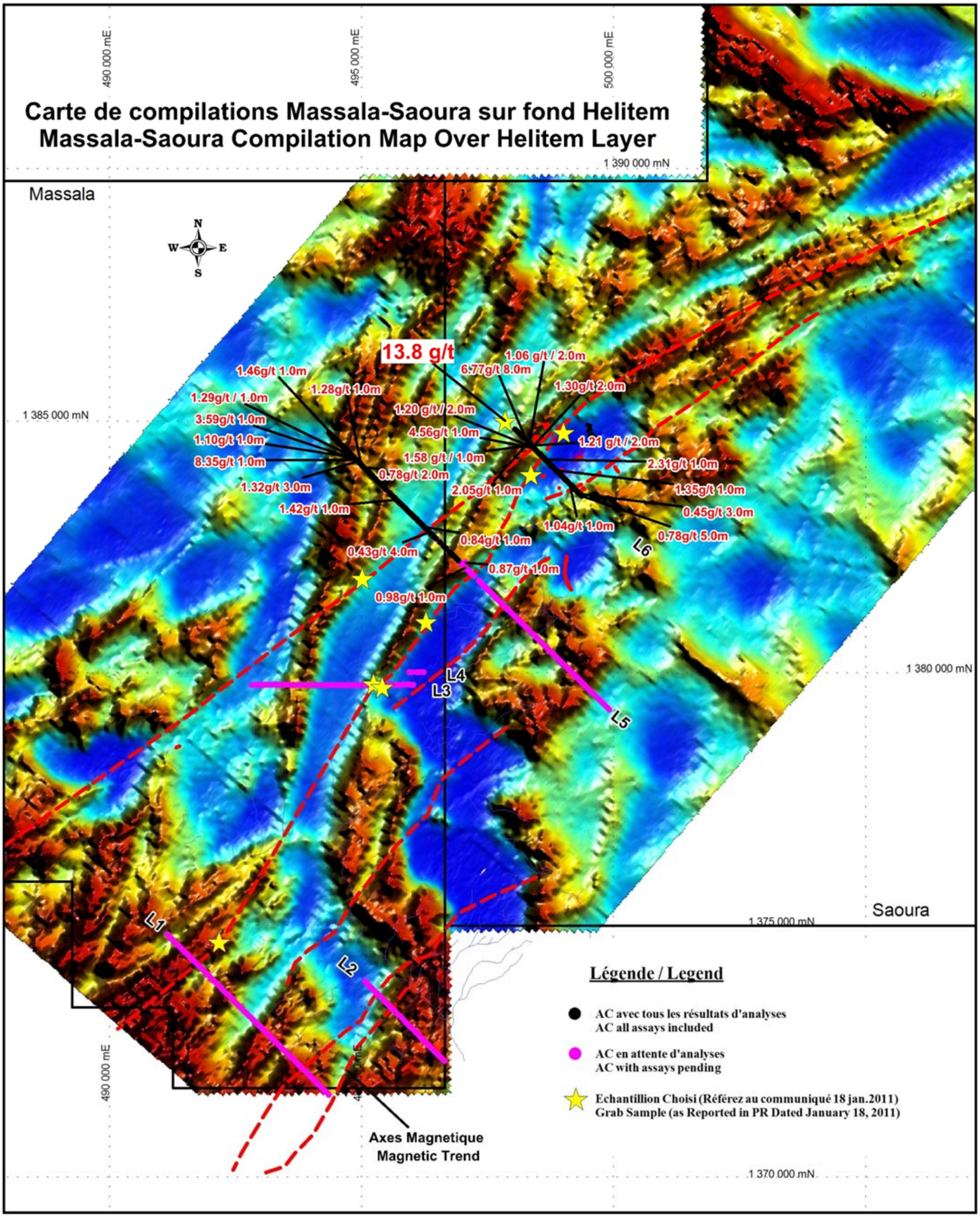
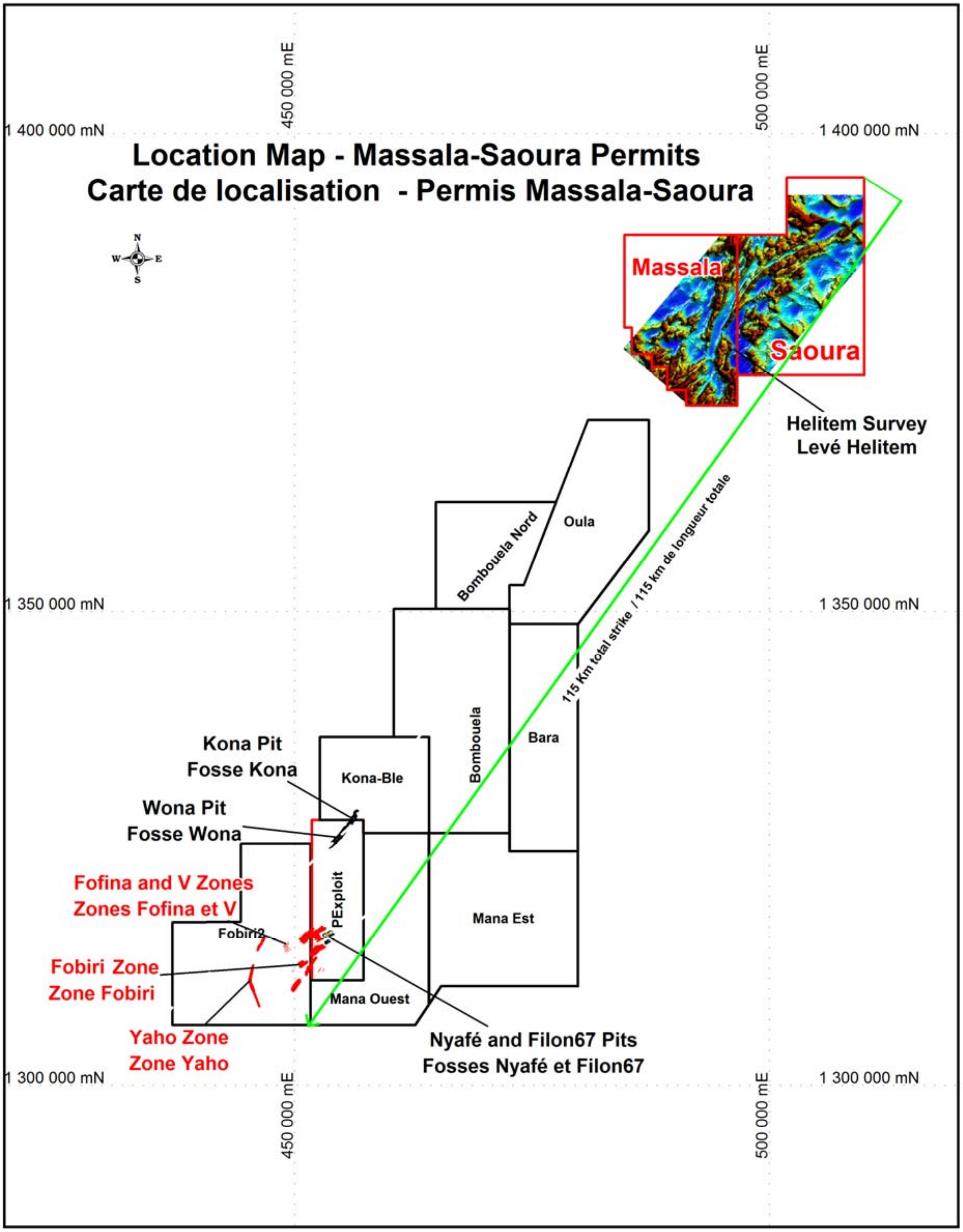

Carte de compilations Massala-Saoura sur fond Helitem
Massala-Saoura Compilation Map Over Helitem Layer
490 000 mE
495 000 mE
500 000 mE
1 390 000 mN
1 385 000 mN
1 380 000 mN
1 375 000 mN
1 370 000 mN
Massala
Saoura
N
S
E
W
13.8 g/t
1.46g/t 1.0m
1.28g/t 1.0m
1.29g/t / 1.0m
3.59g/t 1.0m
1.10g/t 1.0m
8.35g/t 1.0m
1.32g/t 3.0m
1.42g/t 1.0m
1.06 g/t / 2.0m
6.77g/t 8.0m
1.30g/t 2.0m
1.20 g/t / 2.0m
4.56g/t 1.0m
1.58 g/t / 1.0m
0.78g/t 2.0m
2.05g/t 1.0m
1.21 g/t / 2.0m
2.31g/t 1.0m
1.35g/t 1.0m
0.45g/t 3.0m
1.04g/t 1.0m
0.78g/t 5.0m
0.84g/t 1.0m
0.87g/t 1.0m
0.43g/t 4.0m
0.98g/t 1.0m
L1
L2
L3
L4
L5
L6
Axes Magnetique
Magnetic Trend
Légende / Legend
AC avec tous les résultats d'analyses
AC all assays included
AC en attente d'analyses
AC with assays pending
Echantillion Choisi (Référez au communiqué 18 jan.2011)
Grab Sample (as Reported in PR Dated January 18, 2011)

Figure 5



Location Map - Massala-Saoura Permits
Carte de localisation - Permis Massala-Saoura
450 000 mE
500 000 mE
1 400 000 mN
1 350 000 mN
1 300 000 mN
N
W
E
S
Massala
Saoura
Helitem Survey
Levé Helitem
Oula
Bomboueła Nord
115 Km total strike / 115 km de longueur totale
Bombouela
Bara
Kona Pit
Fosse Kona
Kona-Ble
Wona Pit
Fosse Wona
Fofina and V Zones
Zones Fofina et V
PExploit
Mana Est
Fobiri2
Fobiri Zone
Zone Fobiri
Mana Ouest
Yaho Zone
Zone Yaho
Nyafé and Filon67 Pits
Fosses Nyafé et Filon67

4. Consolidated Results and Mining Operations

	Three-month period ended June 30			Six-month period ended June 30		
	2011	2010	Variation	2011	2010	Variation
Operating Highlights						
Gold ounces produced	**63,800**	68,300	(7%)	**123,800**	134,100	(8%)
Gold ounces sold	**66,100**	72,000	(8%)	**122,800**	129,200	(5%)
(In thousands of dollars, except amounts per ounce and per tonne)						
Revenues – Gold sales	**100,398**	87,085	15%	**179,765**	150,660	19%
Mining operating expenses (excluding Government royalties)	**38,500**	30,411	27%	**72,079**	57,526	25%
Government royalties	**5,150**	3,260	58%	**8,650**	5,794	49%
Operating income	**40,590**	36,565	11%	**65,960**	54,636	21%
Income tax expense	**6,236**	5,514	13%	**10,352**	10,620	(3%)
Net income	**32,851**	30,704	7%	**53,243**	42,667	25%
Attributable to:						
Equity shareholders of the Corporation	**30,631**	29,916	2%	**48,800**	41,710	17%
Non-controlling interest	**2,220**	788	182%	**4,443**	957	364%
Cash flow from operating activities [1]	**43,191**	41,314	5%	**74,508**	66,580	12%
Basic net income per share	**0.11**	0.12	(8%)	**0.18**	0.16	13%
Diluted net income per share	**0.11**	0.11	–	**0.17**	0.16	6%
Operating cash flow per share [2]	**0.16**	0.16	–	**0.27**	0.26	4%
Average realized selling price (per ounce)	**1,519**	1,210	26%	**1,464**	1,166	26%
Cash operating cost (per ounce produced) [3]	**590**	426	38%	**584**	441	32%
Cash operating cost (per tonne processed) [3]	**36**	31	16%	**35**	32	9%
Total cash cost (per ounce sold) [4]	**660**	468	41%	**657**	490	34%
Total cash margin (per ounce sold) [5]	**859**	742	16%	**807**	676	19%

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

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

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

4 Total cash cost is a non-GAAP financial performance measure with no standard definition under IFRS and represents the mining operating expenses and government royalties per ounce sold.

5 Total cash margin is a non-GAAP financial performance measure with no standard definition under IFRS and is calculated using the average realized selling price and the total cash cost.

Second Quarter 2011 v. Second Quarter 2010

- For the three-month period ended June 30, 2011, our gold sales increased by 15% to $100,398,000 compared to $87,085,000 for the corresponding period in 2010. The improvement is a direct result of our higher average realized selling price, which remained superior to the average London Gold Fix.

	2011		2010	
(In dollars per ounce)	Q2	Q1	Q2	Q1
Average London Gold Fix	**1,506**	**1,386**	1,197	1,109
Average realized selling price	**1,519**	**1,400**	1,210	1,111

- The increase in mining operating expenses reflects the higher fuel and reagent costs which affected our cash operating cost per tonne processed when compared to the same period in 2010. Another factor is the decrease in the head grade of the ore processed due to the incremental throughput of lower-grade ore related to our higher processing capacity at the Mana Mine.
- Our record operating income of $40,590,000 compared to $36,565,000 for the same period last year is due to our higher total cash margins per ounce sold.

4. Consolidated Results and Mining Operations (continued)

Second Quarter 2011 v. Second Quarter 2010 (continued)

- Our 2011 second quarter net income rose by 7% as a result of higher operating income. This improvement directly impacted our cash flow from operating activities[1], which attained $43,191,000.
- Non-controlling interests ("NCIs"), represent equity interests in subsidiaries owned by outside parties. Under IFRS, it is required that total comprehensive income be attributed to the shareholders of the Corporation and to the NCIs, even if this results in the NCIs having a deficit balance to equity. Accordingly, despite the fact that the subsidiaries located in Niger and Guinea have negative equity, and that the minority shareholders are not entitled to any earnings until the equity becomes positive, non-controlling interests had to be recorded starting January 1, 2010.

	Three-month period ended June 30		Six-month period ended June 30	
	2011	2010	2011	2010
Non-controlling Interests (In thousands of dollars)				
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A.	**3,140**	–	**5,409**	–
Government of Niger – 20% in Société des Mines du Liptako (SML) S.A.	**(786)**	1,183	**(373)**	1,863
Government of Guinea – 15% in SEMAFO Guinée S.A.	**(134)**	(395)	**(593)**	(906)
Total	**2,220**	788	**4,443**	957

- This quarter, the portion of our net income attributable to NCIs relates mainly to our subsidiary in Burkina Faso. The Government of Burkina Faso is entitled to 10% of SEMAFO Burkina Faso S.A.'s net income solely once the subsidiary's retained earnings are equal to the initial capital investment. This occurred in the fourth quarter of 2010. The fluctuation in the NCIs of our other two subsidiaries located in Niger and Guinea is a direct result of the variation in their local net income for the periods. For more details on the IFRS accounting treatment of NCIs, which differs from Canadian GAAP, please refer to note 16 of this MD&A.

First Six Months of 2011 v. First Six Months of 2010

- During the first six months of 2011, gold sales amounted to $179,765,000 compared to $150,660,000 for the same period last year. The 19% increase is attributable to a higher average realized selling price.
- The 21% increase in operating income is due to higher total cash margins when compared to the same period last year.
- Net income amounted to $53,243,000 for the first six months of 2011, compared to $42,667,000 for the first six months of 2010. The variation is mainly due to the improvement in operating income as previously noted.

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

5. Operating Income by Segment

(In thousands of dollars)	Three-month period ended June 30			Six-month period ended June 30		
	2011	2010	Variation	2011	2010	Variation
Mana Mine, Burkina Faso	**41,325**	34,141	21%	**71,802**	51,831	39%
Samira Hill Mine, Niger	**3,270**	6,060	(46%)	**5,580**	9,928	(44%)
Kiniero Mine, Guinea	**923**	709	30%	**546**	519	5%
Corporate and others	**(4,928)**	(4,345)	(13%)	**(11,968)**	(7,642)	(57%)
Total	**40,590**	36,565	11%	**65,960**	54,636	21%

6. Mining Operations

Mana, Burkina Faso

	Three-month period ended June 30			Six-month period ended June 30		
	2011	2010	Variation	2011	2010	Variation
Operating Data						
Ore mined (tonnes)	**546,900**	487,400	12%	**1,087,500**	943,100	15%
Ore processed (tonnes)	**627,200**	520,200	21%	**1,212,000**	955,700	27%
Head grade (g/t)	**2.80**	3.19	(12%)	**2.74**	3.38	(19%)
Recovery (%)	**89**	86	3%	**89**	89	–
Gold ounces produced	**47,800**	45,700	5%	**93,000**	87,100	7%
Gold ounces sold	**50,900**	50,500	1%	**93,300**	85,500	9%
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**77,282**	60,756	27%	**136,584**	99,706	37%
Mining operations expenses (excluding government royalties)	**25,388**	17,833	42%	**45,771**	31,159	47%
Government royalties	**3,862**	1,812	113%	**6,256**	2,983	110%
Depreciation	**6,284**	6,770	(7%)	**11,664**	13,145	(11%)
Administrative	**302**	198	53%	**764**	582	31%
Corporate social responsibility expenses	**121**	2	5,950%	**327**	6	5,350%
Segment operating income	**41,325**	34,141	21%	**71,802**	51,831	39%
Statistics ($)						
Average realized selling price (per ounce)	**1,518**	1,203	26%	**1,464**	1,166	26%
Cash operating cost (per ounce produced)[1]	**497**	353	41%	**486**	358	36%
Cash operating cost (per tonne processed)[1]	**39**	31	26%	**38**	33	15%
Total cash cost (per ounce sold)[2]	**575**	389	48%	**558**	399	40%
Depreciation (per ounce sold)[3]	**123**	134	(8%)	**125**	154	(19%)

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

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

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

Second Quarter 2011 v. Second Quarter 2010

- For the three-month period ended June 30, 2011, a total of 546,900 tonnes of ore and 2,505,000 tonnes of waste material were extracted from the Wona and Nyafé pits, resulting in a stripping ratio of 4.6:1. In addition, 419,000 tonnes of waste material were extracted from the Wona pit during the pre-stripping phase. This compares to 487,400 tonnes of ore and 2,306,000 tonnes of waste material for the same period in 2010, which resulted in a stripping ratio of 4.7:1. The increase in total material mined compared to the second quarter of 2010 is mainly due to additional mining equipment.
- During the quarter we processed a record 627,200 tonnes of ore. The 21% increase in ore processed is a direct result of higher throughput following the completion of Phase I, II and III of the plant expansion in 2010. This higher throughput also contributed to a 5% increase in gold ounces produced and the achievement of a record of 47,800 ounces.
- The decrease in head grade is a direct result of the incremental throughput of ore sourced in higher percentages from the Wona pit, which has lower-grade ore compared to Nyafé.
- Our cash operating cost per tonne processed increased to $39 compared to $31 in the second quarter of 2010. This variation is mainly due to the increased cost of fuel and reagents and the requirement for supplementary drilling and blasting in 2011 compared to 2010. Our cash operating cost per ounce produced increased as a result of a higher cash operating cost per tonne processed and the lower head grade of ore processed.
- Higher royalties were the result of graduated royalty rates in effect as of January 1, 2011 and the increase in the average realized selling price. As gold prices were above $1,300 during the entire three-month period ended June 30 2011, government royalties of 5% were paid compared to royalties of 3% for the corresponding period in 2010.

6. Mining Operations (continued)

Mana, Burkina Faso (continued)

First Six Months of 2011 v. First Six Months of 2010

- For the six-month period ended June 30, 2011, a total of 1,087,500 tonnes of ore and 5,910,000 tonnes of waste material were extracted from the Wona and Nyafé pits, resulting in a stripping ratio of 5.4:1. In addition, 1,579,000 tonnes of waste material were extracted from the Wona pit during the pre-stripping phase. This compares to 943,100 tonnes of ore and 4,677,400 tonnes of waste for the same period in 2010, which resulted in a stripping ratio of 5:1.
- The 27% increase in ore processed is the direct result of improved throughput following the completion of the plant expansions. Higher throughput, achieved despite processing harder ore in the first six months of 2011, also contributed to a 7% increase in gold ounces produced.
- The decrease in head grade is a direct result of the incremental throughput of ore sourced in higher percentages from the Wona pit, which has a lower grade than Nyafé.
- Our cash operating cost per tonne processed increased from $33 in 2010 to $38 in 2011. This variation is mainly due to the increased cost of fuel and reagents as well as the amount of drilling and blasting required. Our cash operating cost per ounce produced increased as a result of a higher cash operating cost per tonne processed and the lower head grade of ore processed.
- The corporate social responsibility expenses relates to SEMAFO Energy whose purpose is to increase electricity generation in our host countries.

Project Updates

Plant Expansion – Phase IV:

- Plant capacity is expected to attain up to 7,200 tonnes per day ("tpd") in bedrock and up to 8,000 tpd in blended ore
- Completion of Phase IV will increase throughput by 1,200 tpd, representing an additional 26,000 to 30,000 ounces of gold annually when compared to current plant capacity and is scheduled for completion by year-end 2011
- Budget for this fourth phase of plant expansion is $25 million, including $18 million for enhancements to the plant and $7 million for additional mining equipment
- Payback period is estimated at less than 16 months

The primary changes to the processing plant include:

- Addition of a pebble crusher
- Utilization of the third ball mill, previously used as back-up
- Addition of two CIL tanks and a thickener
- Additional gensets and critical spares
- Some equipment capacity upgrades

As of June 30, 2011, more than $13 million were committed to this phase of the plant expansion.

Wona Deep Development

We have green-lighted development of the underground project following the results of the Mana Underground feasibility study, indicating a 49% internal rate of return based on a $1,400 gold price. Additionally, the recent expansion of the Wona SW zone demonstrated opportunities to further increase underground reserves from those reported in the underground feasibility study.

Recent activities regarding the underground development include:

- Appointment of an underground mine manager, chief mining engineer, mine superintendent and chief geologist
- Negotiations are underway with the selected mining contractor
- Optimization and commencement of detailed engineering work on infrastructures, portal access and extended Wona SW zone

6. Mining Operations (continued)

Samira Hill, Niger

	Three-month period ended June 30			Six-month period ended June 30		
	2011	2010	Variation	2011	2010	Variation
Operating Data						
Ore mined (tonnes)	**346,200**	130,500	165%	**522,300**	824,300	(37%)
Ore processed (tonnes)	**321,900**	286,600	12%	**622,000**	602,600	3%
Head grade (g/t)	**1.14**	2.21	(48%)	**1.24**	2.01	(38%)
Recovery (%)	**88**	74	19%	**81**	77	5%
Gold ounces produced	**10,600**	15,600	(32%)	**20,400**	31,100	(34%)
Gold ounces sold	**10,100**	15,000	(33%)	**19,900**	28,900	(31%)
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**15,277**	18,344	(17%)	**29,105**	33,833	(14%)
Mining operations expenses (excluding government royalties)	**8,563**	8,431	2%	**17,107**	16,499	4%
Government royalties	**857**	1,022	(16%)	**1,620**	1,885	(14%)
Depreciation	**2,267**	2,363	(4%)	**3,953**	4,671	(15%)
Administrative	**299**	419	(29%)	**816**	791	3%
Corporate social responsibility expenses	**21**	49	(57%)	**29**	59	(51%)
Segment operating income	**3,270**	6,060	(46%)	**5,580**	9,928	(44%)
Statistics ($)						
Average realized selling price (per ounce)	**1,513**	1,223	24%	**1,463**	1,171	25%
Cash operating cost (per ounce produced) [1]	**846**	564	50%	**838**	566	48%
Cash operating cost (per tonne processed) [1]	**28**	30	(7%)	**27**	28	(4%)
Total cash cost (per ounce sold) [2]	**933**	630	48%	**941**	636	48%
Depreciation (per ounce sold) [3]	**224**	158	42%	**199**	162	23%

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

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

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

Second Quarter 2011 v. Second Quarter 2010

- During the three-month period ended June 30, 2011, 346,200 tonnes of ore and 1,038,000 tonnes of waste material were extracted from the Libiri North-West and Samira Main pits, resulting in a strip ratio of 3:1. In addition, 1,106,000 tonnes of waste material were extracted from the Samira Main and Libiri North-West pits during the pre-stripping phase. For the corresponding period in 2010, 130,500 tonnes of ore and 228,800 tonnes of waste material were extracted from the Boulon Jounga pit, for a strip ratio of 1.8:1. The increase in ore mined is mainly due to increased productivity following the addition of mining equipment in 2011.
- Throughput increased by 12% in the second quarter of 2011 compared to the same period in 2010. This is mainly due to the processing of softer ore from the Libiri North West pit.
- The decrease in head grade is due to the processing of ore sourced from the Libiri North-West pit and from stockpiles in 2011, compared to higher-grade zones from the Boulon Jounga pit during the same period in 2010.
- Recovery greatly improved in 2011, reaching an average of 88% compared to 74% last year. This is mainly due to the processing of oxide ore sourced from the Libiri North West pit in 2011, compared to transitional ore in 2010.
- Gold ounces produced decreased by 32% as a result of lower head grade.
- Processing lower-grade ore during the pre-stripping phase of the Samira Main pit also negatively impacted our cash operating cost per ounce. The processing of ore from the Samira Main pit is scheduled to begin in the third quarter of 2011.

6. Mining Operations (continued)

Samira Hill, Niger (continued)

Second Quarter 2011 v. Second Quarter 2010 (continued)

- The increase in depreciation per ounce sold is due to the decrease in volume sold combined with the additional depreciation expenses related to the new mining fleet which was not in operation in 2010.

First Six Months of 2011 v. First Six Months of 2010

- During the first six months of 2011, 522,000 tonnes of ore and 1,692,000 tonnes of waste material were extracted from the Libiri North-West and Samira Main pits, resulting in a strip ratio of 3.2:1. As a result of the pre-stripping phase of the Samira Main pit, an additional 1,900,000 tonnes of waste material were extracted. In addition, a total of 346,000 tonnes were extracted during the pre-stripping phase of the Libiri area. For the corresponding period in 2010, 824,300 tonnes of ore and 1,486,300 tonnes of waste material were extracted, for a stripping ratio of 1.8:1. In addition, 1,490,500 tonnes of waste material were extracted from the Boulon Jounga and Long Tom pits during the pre-stripping phase.
- The decrease in head grade is due to the processing of ore primarily sourced from the Libiri North-West pit and from stockpiles in 2011, compared to higher grades from the Boulon Jounga pit during the same period in 2010.
- As previously explained, recovery increased as a result of the processing of oxide ore in 2011 compared to transitional ore in 2010.
- The decrease in gold ounces produced is a direct result of the lower head grade of oxide ore processed from the Libiri North-West pit.
- The increase in cash operating cost per ounce is mainly due to the processing of lower-grade ore.

6. Mining Operations (continued)

Kiniero, Guinea

	Three-month period ended June 30			Six-month period ended June 30		
	2011	**2010**	**Variation**	**2011**	**2009**	**Variation**
Operating Data						
Ore mined (tonnes)	**81,800**	144,200	(43%)	**156,700**	306,600	(49%)
Ore processed (tonnes)	**106,800**	123,400	(13%)	**216,600**	266,600	(19%)
Head grade (g/t)	**1.62**	1.89	(14%)	**1.55**	1.76	(12%)
Recovery (%)	**93**	90	3%	**93**	91	2%
Gold ounces produced	**5,400**	7,000	(23%)	**10,400**	15,900	(35%)
Gold ounces sold	**5,100**	6,500	(22%)	**9,600**	14,800	(35%)
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**7,839**	7,985	(2%)	**14,076**	17,121	(18%)
Mining operations expenses (excluding government royalties)	**4,549**	4,146	10%	**9,202**	9,868	(7%)
Government royalties	**431**	427	1%	**773**	926	(17%)
Depreciation	**1,120**	2,139	(48%)	**2,148**	4,734	(55%)
Administrative	**566**	561	1%	**1,101**	1,071	3%
Corporate social responsibility expenses	**250**	3	8,233%	**306**	3	10,100%
Segment operating income	**923**	709	30%	**546**	519	5%
Statistics ($)						
Average realized selling price (per ounce)	**1,537**	1,228	25%	**1,466**	1,157	27%
Cash operating cost (per ounce produced) [1]	**912**	598	53%	**967**	649	49%
Cash operating cost (per tonne processed) [1]	**44**	32	38%	**44**	33	33%
Total cash cost (per ounce sold) [2]	**976**	704	39%	**1,039**	729	43%
Depreciation (per ounce sold) [3]	**220**	329	(33%)	**224**	320	(30%)

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

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

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

Second Quarter 2011 v. Second Quarter 2010

- During the second quarter of 2011, 81,800 tonnes of ore and 690,500 tonnes of waste material were extracted from the Gobelé A, and West Balan BC pits, for an average strip ratio of 8.4:1. In addition, 387,000 tonnes of waste material were extracted from the Gobelé A pit during the pre-stripping phase. During the corresponding period in 2010, our mining activities focused on the West Balan BC pit where 144,200 tonnes of ore and 538,000 tonnes of waste material were extracted for a strip ratio of 3.7:1.
- The 13% decrease in ore processed is explained by the processing of harder ore sourced from the Gobelé A pit and from stockpiles, compared to ore sourced from West Balan BC in 2010.
- The 14% decrease in head grade is mainly due to lower-grade ore sourced from the Gobelé A pit combined with low-grade stockpiled ore, compared to the higher grades from the West Balan BC pit in 2010.
- The 23% decrease in gold ounces produced is primarily due to the processing of lower-grade ore.
- The 38% increase in cash operating cost per tonne processed is mainly due to higher fuel costs and increased strip ratio. The cash operating cost per ounce produced increased as a result of a higher per tonne operating cost and lower head grade.
- The corporate social responsibility expenses relates mainly to our support of the Government of Guinea's project to build a hydroelectric power plant on the Cogon River.

6. Mining Operations (continued)

Kiniero, Guinea (continued)

First Six Months of 2011 v. First Six Months of 2010

- The 49% decrease in ore mined is mainly the result of drill-and-blast operations required to mine the Gobelé A pit.
- The 19% decrease in throughput is a direct result of harder ore processed from the Gobelé A pit.
- As previously noted, the decrease in head grade is the result of the processing of lower-grade ore sourced from the Gobelé A pit and stockpiles compared to the West Balan BC pit in 2010.
- The decrease in gold ounces produced is a result of reduced throughput and lower head grade.
- The increase in cash operating cost per tonne processed is mainly due to higher fuel costs and increased strip ratio. The cash operating cost per ounce increase is a result of a higher per tonne cost and lower head grade.

General and Administrative Expenses

(In thousands of dollars)	Three-month period ended June 30	
	2011	2010
Corporate expenses	**4,215**	3,228
Sites - Administrative	**1,167**	1,178
Sites - Corporate social responsibility expenses	**392**	54
Donation to Fondation SEMAFO	–	252
Total General and administrative	**5,774**	4,712

Corporate expenses totalled $4,215,000 for the second quarter of 2011 compared to $3,228,000 for the same period in 2010. The increase is consistent with our efforts to sustain growth, particularly our human resources pertaining to technical support for exploration and operational activities as well as increased public/investor relations activities.

Our corporate social responsibility expenses relates to amounts invested to support SEMAFO Energy, whose purpose is to increase electricity generation in our host countries.

Stock-Based Compensation

Our second quarter stock-based compensation expense includes a $445,000 charge related to our stock option plans and $213,000 for our new Restricted Share Unit Plan ("Unit Plan") implemented during the first quarter of 2011. The decrease of our stock option plans expense for the second quarter of 2011 to $445,000, from $826,000 for the same period in 2010 is due to a decrease in the number of options granted under the stock option plans further to the implementation of the new Unit Plan.

Finance Costs

The finance costs for the second quarter of 2011 amounted to $770,000, a decrease of 33% compared to the same period in 2010. Finance costs include interest on the long-term debt of $267,000 ($694,000 in 2010). The variance from the comparative period in 2010 is due to long-term debt repayments made during the past twelve months. Our $20,000,000 bank loan was fully repaid during the third quarter of 2010 and the remaining portion of our $45,000,000 term facility will be fully repaid in 2011.

Income Tax Expenses

The income tax expense results from higher taxable income realized at the Mana Mine, which is subject to a tax rate of 17.5%. Although our income before income taxes increased by 8%, our income tax expense increased by 13% for the second quarter of 2011 compared to the corresponding period in 2010 due to deferred income tax recovery to reflect the impact of foreign exchange movements on our foreign non-monetary assets which must be recognized under IFRS.

Net Income Attributable to Non-Controlling Interests (NCIs)

Non-controlling interests (in thousands of dollars)	Three-month period ended June 30		Six-month period ended June 30	
	2011	2010	**2011**	2010
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A.	**3,140**	–	**5,409**	–
Government of Niger – 20% in Société des Mines du Liptako (SML) S.A.	**(786)**	1,183	**(373)**	1,863
Government of Guinea – 15% in SEMAFO Guinée S.A.	**(134)**	(395)	**(593)**	(906)
Total	**2,220**	788	**4,443**	957

The Government of Burkina Faso is entitled to 10% of SEMAFO Burkina Faso S.A.'s net income once the subsidiary's retained earnings surpassed the initial capital investment. As this situation occurred during the fourth quarter of 2010, the Government of Burkina Faso was not entitled to a portion of our net income during the first six months of 2010. The fluctuation in the NCIs of our other two subsidiaries located in Niger and Guinea is a direct result of the variation in their local net income for the periods.

7. Cash Flow

The following table summarizes our cash flow activities:

	Three-month period ended June 30		Six-month period ended June 30	
	2011	2010	2011	2010
(In thousands of dollars)				
Cash flow				
Operations	**43,191**	41,314	**74,508**	66,580
Working capital items	**2,159**	(120)	**(4,445)**	(6,071)
Operating activities	**45,350**	41,194	**70,063**	60,509
Financing activities	**(3,175)**	102,352	**(6,502)**	97,744
Investing activities	**(27,041)**	(26,635)	**(59,303)**	(43,854)
Effect of exchange rate changes on cash and cash equivalents	**(596)**	896	**(1,997)**	2,087
Change in cash and cash equivalents during the period	**14,538**	117,807	**2,261**	116,486
Cash and cash equivalents - Beginning of period	**208,162**	61,160	**220,439**	62,481
Cash and cash equivalents - End of period	**222,700**	178,967	**222,700**	178,967

Operating

Our primary ongoing source of liquidity is operating cash flow. Despite an 8% decrease in ounces sold, operating activities, before working capital items, generated cash flows of $43,191,000 in the second quarter of 2011, reflecting the growing cash margins with the rise in average realized selling price. Working capital items generated liquidities of $2,159,000 during the second three-month period of 2011 mainly due to lower trade receivables from gold sales combined with higher trade payables. This was compensated by a decrease in income taxes payable, as we paid $19,650,000 to the Government of Burkina Faso for our 2010 annual corporate income tax. In 2011, our corporate income tax will be paid in three separate installments (July, October and January) instead of one annual payment. Details of the changes in non-cash working capital items are provided in note 19a) of our financial statements.

Financing

During the second quarter of 2011, we made reimbursements totalling $3,750,000 on our long-term debt compared to $5,153,000 during the corresponding period in 2010. This variation is due to the full repayment of our $20,000,000 bank loan during the third quarter of 2010. Our $45,000,000 term facility will be fully repaid in 2011.

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, 2011 in comparison to the previously proposed use of proceeds of our 2010 public offerings is broken down as follows:

	Investment announced financing 2010 $	Actual use of proceeds, June 30, 2011 $
New Mining fleet	25,000,000	25,000,000
Exploration and development at the Mana Mine	15,000,000	15,000,000
General corporate purposes	73,018,000	22,005,000
	113,018,000	**62,005,000**

A total of 232,000 options were exercised during the second quarter of 2011 under the Original Plan for a cash consideration of $575,000. In 2010, for the same period, a total of 367,000 options were exercised under the Original Plan for a cash consideration of $798,000.

7. Cash Flow (continued)

Investing

During this second quarter of 2011, we made investments of $27,041,000 in property, plant and equipment compared to $26,635,000 in 2010.

Investments represented exploration expenditures amounting to $11,800,000, expansion costs at the Mana Mine totalling $2,658,000, the purchase of mining equipment totalling $1,641,000, capitalized stripping costs of $4,479,000, as well as sustainable capital expenditures in the amount of $6,463,000. In 2010, liquidities of $26,635,000 were invested as follows: $4,527,000 in exploration expenditures, $3,494,000 for the expansion of the Mana Mine, $11,712,000 for the mining equipment, stripping costs of $3,366,000 as well as sustainable capital expenditures in the amount of $3,536,000.

Financial Position

As at June 30, 2011, we maintain a strong financial position with $227,412,000 in cash, cash equivalents and restricted cash. With our existing cash balances and forecast cash flow from operations, we are well positioned to fund all our cash requirements for 2011, which relates primarily to the following activities:

Requirements and ongoing projects

- ⇨ Exploration programs
- ⇨ Mana plant expansion projects
- ⇨ Purchase of additional new mining equipment
- ⇨ Development of the Wona underground deposit
- ⇨ Payment of income tax installments
- ⇨ Long-term debt reimbursement

8. Financial Positions

(In thousands of dollars)	As at June 30, 2011	As at December 31, 2010
Current assets	**318,099**	304,400
Restricted cash	**962**	657
Property, plant and equipment	**301,048**	257,413
Investment and other non-current assets	**29,400**	29,400
Total assets	**649,509**	591,870
Total liabilities	**86,163**	85,080
Equity attributable to equity shareholders of the Corporation	**553,949**	501,836
Non-controlling interest	**9,397**	4,954

As at June 30, 2011, our total assets amounted to $649,509,000 compared to $591,870,000 as at December 31, 2010. We held cash and cash equivalents of $222,700,000, compared to $220,439,000 as at December 31, 2010. We still hold $4,712,000 in restricted accounts according to conditions associated with our loans and for environmental rehabilitation purposes. The slight increase in cash from year-end of 2010 is the result of our strong operating cash flows, which exceeded investments made in our extensive exploration program and for the purchase of mining equipment.

9. 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 its $45,000,000 debt facility. As at June 30, 2011, 22,500 ounces are still outstanding and will expire during the year (3,750 per month). Consequently, the entire production is available to be sold at spot price and is fully exposed to any upward increase in the gold price with the downward price protected at $600 for all 22,500 ounces outstanding.

10. Contractual Obligations

Asset Retirement Obligations

Our operations are governed by mining agreements that include the protection of the environment. We conduct our operations in such manner as to protect public health and the environment. We implement progressive measures for rehabilitation work during the operation, in accordance with our mining agreements, as well as closing-down and follow-up work upon closure of a mine. The estimated undiscounted cash flow required to settle the asset retirement obligations is $9,585,000. These disbursements are expected to be made during the years 2011 to 2020. The amount accounted for as liabilities in our financial statements represents the discounted obligations from rehabilitation and closing plans. A 7% 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 ranging from 3% to 5% 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.

Net Smelter Royalty – Samira Hill Mine

Further to the acquisition from Etruscan Resources Inc. of their minority interest in the subsidiary operating the Samira Hill mine located in Niger, the Corporation is subject to a 1.5% net smelter royalty. The royalty comes into effect after the mine has produced 750,000 ounces, calculated from July 1, 2009. Since July 1, 2009, the Samira Hill mine produced 97,500 ounces. The Corporation has been granted a right of first refusal should Etruscan decides to sell this royalty.

Payments to Maintain Mining Rights

In the normal course of business, in order to obtain and maintain all the advantages of our mining permits, we must commit to invest a specific amount in exploration and development on the permits during their validity period. Moreover, we must make annual payments in order to maintain certain property titles. As at June 30, 2011, we were in compliance with all obligations related to the ownership of our permits.

Purchase Obligations

As at June 30, 2011, our purchase commitments related to the Mana plant expansion and the purchase of our new mining fleet totalled $5,466,000 and $3,300,000, respectively.

11. Risks and Uncertainties

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

Financial Risks

Fluctuation in Gold Prices

The profitability of our operations will be significantly affected by changes in the market price of gold. Gold production from mining operations and the willingness of third parties, such as central banks, to sell or lease gold affects the gold supply. Demand for gold can be influenced by economic conditions, gold's attractiveness as an investment vehicle and the strength of the US dollar 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 materially adversely affect our financial condition and results of operation.

Fluctuation in Petroleum Prices

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

Exchange Rate Fluctuations

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

Operational Risks

Access to Capital Markets

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

Uncertainty of Reserve and Resource Estimates

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

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

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

11. Risks and Uncertainties (continued)

Operational Risks (continued)

Production and Operating Cash Cost

No assurance can be given that the intended or expected production schedules or the estimated operating cash costs will be achieved in respect of our operating gold mines. Many factors may cause delays or cost increases, including labour issues, disruptions in power, transportation or supplies, and mechanical failure. Our net income will depend, among other things, on the extent to which expected operating costs are achieved. In addition, short-term operating factors, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular period. Furthermore, our activities may be subject to prolonged disruptions due to weather conditions. Hazards, such as unusual or unexpected formations, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. Our operating cash cost to produce an ounce of gold is further dependent on a number of factors, including the grade of reserves, recovery and plant throughput. Our future performance may hence materially adversely differ from the estimated performance. As these factors are beyond our control, there can be no assurance that our cash operating cost will be similar from year to year.

Nature of Mineral Exploration and Mining

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

Whether a gold deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of gold, revenue repatriation and environmental protection. The effects of these factors cannot be accurately predicted, but the combination of these factors may preclude us from receiving an adequate return on invested capital.

Our operations are, and will continue to be, subject to all of the hazards and risks normally associated with the exploration, development and production of gold, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage.

Depletion of our Mineral Reserves

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

11. Risks and Uncertainties (continued)

Operational Risks (continued)

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

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

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

Licenses and Permits

We require licenses and permits from various governmental authorities. We believe that we hold all necessary licenses and permits under applicable laws and regulations in respect of our properties and that we presently comply in all material respects with the terms of such licenses and permits. Such licenses and permits, however, are subject to change in various circumstances. There can be no guarantee that we will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop our properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

Political Risk

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

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

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

11. Risks and Uncertainties (continued)

Operational Risks (continued)

Title Matters

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

Insufficient Insurance

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

Outside Contractor Risk

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

- negotiating agreements with contractors on acceptable terms
- the inability to replace a contractor and its operating equipment in the event that either party terminates the agreement
- reduced control over such aspects of operations that are the responsibility of the contractor;
- failure of a contractor to perform under our contractual arrangement
- interruption of operations in the event that a contractor ceases its business due to insolvency or other events
- failure of a contractor to comply with applicable legal and regulatory requirements, 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, we may incur liability to third parties as a result of the actions of a contractor. The occurrence of one or more of these risks could have a material adverse effect on our financial condition and results of operation.

Competition

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

Qualified and Key Personnel

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

11. Risks and Uncertainties (continued)

Operational Risks (continued)

Labour and Employment Relations

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

Surrounding Communities Relations

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

Environmental Risks and Hazards

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

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

Litigation

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

12. Summary of Quarterly Information

(Unaudited, in accordance with IFRS (Canadian GAAP for 2009))

(In thousands of dollars, except for amounts per share)	2011		2010				2009	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Gold sales	**100,398**	79,367	86,392	86,223	87,085	63,575	73,286	59,361
Operating income	**40,590**	25,370	32,165	37,949	36,565	18,071	17,494	15,195
Net income	**32,851**	20,392	28,176	32,392	30,704	11,963	10,483	13,399
Attributable to :								
- Common shareholders	**30,631**	18,169	26,647	32,102	29,916	11,794	10,483	13,399
- Non-controlling interests	**2,220**	2,223	1,529	290	788	169	–	–
Basic net income per share	**0.11**	0.07	0.10	0.12	0.12	0.05	0.04	0.05
Diluted net income per share	**0.11**	0.07	0.10	0.12	0.11	0.05	0.04	0.05
Cash flow from operating activities [1]	**43,191**	31,220	39,128	41,776	41,314	25,989	23,902	24,301

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

13. Information on Outstanding Shares

As at August 9, 2011, our share capital is comprised of 272,763,185 common shares issued and outstanding.

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

The plans provide for the grant of non-transferable options for the purchase of common shares. As at August 9, 2011 stock options allowing its holders to purchase 9,517,750 common shares were outstanding.

14. Shareholders' Rights Plan

On March 15, 2011, the Board of Directors of the Corporation approved the adoption of a shareholder rights plan ("Rights Plan") for which shareholder approval was obtained at the Corporation's annual and special meeting of shareholders held on May 10, 2011.

The purpose of the Rights Plan is to provide the shareholders and directors of the Corporation with adequate time to consider and evaluate any unsolicited bid and to provide the directors with adequate time to identify, develop and negotiate value-enhancing alternatives, if considered appropriate, to any such unsolicited bid.

15. Additional Information

Exchange rates are as follows:

	CA $ / US $		Euros / US $	
	2011	2010	**2011**	2010
December 31 (closing)	**–**	0.9946	**–**	0.7468
March 31 (closing)	**0.9718**	1.0156	**0.7051**	0.7393
June 30 (closing)	**0.9643**	1.0606	**0.6885**	0.8137
First quarter (average)	**0.9844**	1.0403	**0.7307**	0.7212
Second quarter (average)	**0.9696**	1.0253	**0.6957**	0.7840

16. Transition to International Financial Reporting Standards

Effective January 1, 2011, International Financial Reporting Standards (''IFRS'') became Canadian GAAP (''CDN GAAP'') for publicly accountable enterprises. As a result, our interim condensed consolidated have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and IFRS 1 First Time Adoption of International Financial Reporting Standards" ("IFRS 1") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). As our transition date to IFRS was January 1, 2010. We prepared our opening IFRS consolidated statement of financial position at that date.

We have developed and executed a changeover plan in order to begin reporting in accordance with IFRS from January 1, 2011. The changeover plan included an scoping and diagnostic phase, a impact analysis, evaluation and design phase, and the implementation and review phase, each of which set out activities to be performed over the life of the project, resulting in the Corporation's first interim reporting under IFRS for the first quarter of 2011. The implementation phase will continue to culminate in the preparation of our financial reporting under IFRS in 2011.

Throughout 2011, we will continue to execute the final phase of our changeover plan. Activities in this respect include continuing to execute business process and internal control changes, testing internal controls impacted by our IFRS changeover in connection with our 2011 annual internal controls program, monitoring accounting and regulatory developments and evaluating impacts on our financial reporting, and continuing to fulfill presentation and reporting requirements.

1) Exemptions and exceptions from full retrospective application elected by the Corporation

In preparing these condensed interim consolidated financial statements in accordance with IFRS 1, the Corporation has applied mandatory transition exceptions and the following exemptions from full retrospective application of IFRS:

- IFRS 3 *Business combination* election: This election allows the Corporation to adopt IFRS 3(R) prospectively from the date of transition. The impact of this exemption is that all prior business combinations will continue to be accounted for as they were under Canadian GAAP.
- Leases election: The exemption provided in IFRS 1 from the full retrospective application of IFRS Interpretations Committee 4 (IFRIC 4) has been applied to determine whether an arrangement existing as at January 1, 2010 contains a lease based on the facts and circumstances existing at that date. An additional exemption is provided to the Corporation that, under Canadian GAAP, has already made an assessment as to whether an arrangement contains a lease, provided their previous conclusion is consistent with the criteria within IAS 17, and IFRIC 4.

16. Transition to International Financial Reporting Standards (continued)

1) Exemptions and exceptions from full retrospective application elected by the Corporation (continued)

- We have elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As such, the Corporation has re-measured the provisions as at January 1, 2010 under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. Management did this using best estimate of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation, depletion and depreciation under IFRS up to the transition date. No transition adjustment was recorded.
- We elected under IFRS 1 not to apply IFRS 2, *Share-based payments* ("IFRS 2"), to all equity instruments of share-based payments that had vested at the transition date. In addition, we elected not to apply IFRS 2 for all cash-settled share-based payments that were settled before the transition date.
- We elected to apply IAS 23 *Borrowing costs* prospectively from the date of transition, therefore the accounting of borrowing costs prior to the transition date was not reassessed in the opening IFRS consolidated statement of financial position.
- Non-controlling interest: According to this exception we must, prospectively from the date of transition to IFRSs, attributed the Corporation's total comprehensive income to the owners of the parent as well as to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- Estimates: Hindsight is not used to create or revise estimates. The estimates previously made by the management of the Corporation under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

2) Reconciliation of IFRS and Canadian GAAP

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Corporation's actual cash flows, it has resulted in changes to the Corporation's reported financial position and statement of income. In order to allow the users of the financial statements to better understand these changes, the Corporation's Canadian GAAP consolidated statements of operations and comprehensive income for the year ended December 31, 2010 and the three and six-month periods ended June 30, 2010 as well as the statements of financial position as at January 1, 2010, June 30, 2010 and December 31, 2010, and the consolidated statement of cash flows for the three and six-month periods ended June 30, 2010 have been reconciled to IFRS, with the resulting differences explained.

16. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP consolidated balance sheet has been reconciled to IFRS for the January 1, 2010 opening consolidated statement of financial position as follows:

	Ref	January 1, 2010 Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
ASSETS				
Current assets				
Cash and cash equivalents		62,481	–	62,481
Trade and other receivables		9,894	–	9,894
Inventories		60,300	–	60,300
Other current assets		4,556	–	4,556
		137,231	–	137,231
Non-current assets				
Restricted cash		4,407	–	4,407
Property, plant and equipment		200,375	–	200,375
Investment and other non-current assets	a	19,743	7,350	27,093
		224,525	7,350	231,875
		361,756	7,350	369,106
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		33,658	–	33,658
Income tax payable		5,019	–	5,019
Current portion of long-term debt		18,808	–	18,808
		57,485	–	57,485
Non-current liabilities				
Long-term debt		15,612	–	15,612
Advances payable	b	3,007	(1,270)	1,737
Provisions		5,879	–	5,879
Deferred income tax liabilities	c	7,110	(1,625)	5,485
		89,093	(2,895)	86,198
EQUITY				
Equity shareholders of the Corporation				
Share capital		329,759	–	329,759
Contributed surplus		5,998	–	5,998
Accumulated other comprehensive income	a	–	6,360	6,360
Deficit	d	(63,094)	3,885	(59,209)
		272,663	10,245	282,908
		361,756	7,350	369,106

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

16. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP consolidated balance sheet as at June 30, 2010 has been reconciled to the consolidated statement of financial position under IFRS as follows:

	Ref	June 30, 2010 Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
ASSETS				
Current assets				
Cash and cash equivalents		178,967	–	178,967
Trade and other receivables		7,784	–	7,784
Inventories		65,919	–	65,919
Other current assets		5,873	–	5,873
		258,543	–	258,543
Non-current assets				
Restricted cash		4,407	–	4,407
Property, plant and equipment		222,786	–	222,786
Investment and other non-current assets	a	19,644	7,350	26,994
		246,837	7,350	254,187
		505,380	7,350	512,730
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		28,730	–	28,730
Income tax payable		9,564	–	9,564
Current portion of long-term debt		16,248	–	16,248
		54,542	–	54,542
Non-current liabilities				
Long-term debt		8,004	–	8,004
Advances payable	b	3,007	(1,183)	1,824
Provisions		6,437	–	6,437
Deferred income tax liabilities	c	3,157	3,057	6,214
		75,147	1,874	77,021
EQUITY				
Equity shareholders of the Corporation				
Share capital		444,526	–	444,526
Contributed surplus		7,676	–	7,676
Accumulated other comprehensive income	a	–	6,360	6,360
Deficit	d	(21,969)	(4,019)	(25,988)
		430,233	2,341	432,574
Non-controlling interests	e	–	3,135	3,135
		430,233	5,476	435,709
		505,380	7,350	512,730

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

16. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP consolidated statement of operations and comprehensive income for the three-month period ended June 30, 2010 have been reconciled to IFRS consolidated statement of income and comprehensive statement of income as follows:

	Ref	Three-month period ended June 30, 2010		
		Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Revenue – Gold sales		87,085	–	87,085
			–	
Cost of operations				
Mining operation expenses	f	33,671	–	33,671
Depreciation of property, plant and equipment		11,311	–	11,311
General and administrative	g	4,712	–	4,712
Stock-based compensation		826	–	826
Operating income		36,565	–	36,565
Other expenses (income)				
Finance income	h	(27)	–	(27)
Finance costs	i	1,111	44	1,155
Foreign exchange gain		(781)	–	(781)
Income before incomes taxes		36,262	44	36,218
Income tax expense (recovery)				
Current		6,393	–	6,393
Deferred	j	(3,762)	2,883	(879)
		2,631	2,883	5,514
Net income and comprehensive income for the period	k	33,631	2,927	30,704
Attributable to:				
Equity shareholders of the Corporation	k + e	33,631	(3,715)	29,916
Non-controlling interests	e	–	788	788

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

16. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP consolidated statement of operations and comprehensive income for the six-month period ended June 30, 2010 have been reconciled to IFRS consolidated statement of income and comprehensive statement of income as follows:

		Six-month period ended June 30, 2010		
	Ref	Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Revenue – Gold sales		150,660	–	150,660
			–	
Cost of operations				
Mining operation expenses	f	63,320	–	63,320
Depreciation of property, plant and equipment		22,627	–	22,627
General and administrative	g	8,008	–	8,008
Stock-based compensation		2,069	–	2,069
Operating income		54,636	–	54,636
Other expenses (income)				
Finance income	h	(50)	–	(50)
Finance costs	i	2,124	87	2,211
Foreign exchange gain		(812)	–	(812)
Income before incomes taxes		53,374	87	53,287
Income tax expense (recovery)				
Current		9,891	–	9,891
Deferred	j	(3,953)	4,682	729
		5,938	4,682	10,620
Net income and comprehensive income for the period	k	47,436	4,769	42,667
Attributable to:				
Equity shareholders of the Corporation	k + e	47,436	(5,726)	41,710
Non-controlling interests	e	–	957	957

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

16. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP consolidated statement cash flows for the three-month period ended June 30, 2010 has been reconciled to the consolidated statement of cash flows under IFRS as follows:

Cash flows from (used in):	Ref	Three-month period ended June 30, 2010		
		Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Operating activities				
Net income for the period	k	33,631	(2,927)	30,704
Adjustment for :				
Depreciation of property, plant and equipment		11,311	–	11,311
Stock-based compensation		826	–	826
Non-cash net finance costs	i	299	44	343
Unrealized foreign exchange gain		(991)	–	(991)
Deferred income taxes (recovery) expense	j	(3,762)	2,883	(879)
		41,314	–	41,314
Changes in non-cash working capital items		(120)	–	(120)
		41,194	–	41,194
Financing activities				
Reimbursement of long-term debt		(5,153)	–	(5,153)
Proceeds on issuance of share capital		113,816	–	113,816
Share issue expenses		(6,311)	–	(6,311)
		102,352	–	102,352
Investing activities				
Additions to property, plant and equipment		(26,635)	–	(26,635)
Increase in restricted cash		–	–	–
		(26,635)	–	(26,635)
Effect of exchange rate changes on cash and cash equivalents		896	–	896
Change in cash and cash equivalents during the period		117,807	–	117,807
Cash and cash equivalents – beginning of period		61,160	–	61,160
Cash and cash equivalents – end of period		178,967	–	178,967
Interest paid		563	–	563
Interest received		27	–	27
Income tax paid		5,343	–	5,343

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

16. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP consolidated statement cash flows for the six-month period ended June 30, 2010 has been reconciled to the consolidated statement of cash flows under IFRS as follows:

Cash flows from (used in):	Ref	Six-month period ended June 30, 2010		
		Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Operating activities				
Net income for the period	k	47,436	(4,769)	42,667
Adjustment for :				
Depreciation of property, plant and equipment		22,627	–	22,627
Stock-based compensation		2,069	–	2,069
Non-cash net finance costs	i	654	87	741
Unrealized foreign exchange gain		(2,253)	–	(2,253)
Deferred income taxes (recovery) expense	j	(3,953)	4,682	729
		66,580	–	66,580
Changes in non-cash working capital items		(6,071)	–	(6,071)
		60,509	–	60,509
Financing activities				
Reimbursement of long-term debt		(10,321)	–	(10,321)
Proceeds on issuance of share capital		114,376	–	114,376
Share issue expenses		(6,311)	–	(6,311)
		97,744	–	97,744
Investing activities			–	
Additions to property, plant and equipment		(43,854)	–	(43,854)
Increase in restricted cash		–	–	–
		(43,854)	–	(43,854)
Effect of exchange rate changes on cash and cash equivalents		2,087	–	2,087
Change in cash and cash equivalents during the period		116,486	–	116,486
Cash and cash equivalents – beginning of period		62,481	–	62,481
Cash and cash equivalents – end of period		178,967	–	178,967
Interest paid		1,220	–	1,220
Interest received		50	–	50
Income tax paid		5,343	–	5,343

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

16. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP consolidated balance sheet as at December 31, 2010 has been reconciled to the consolidated statement of financial position under IFRS as follows:

	Ref	December 31, 2010 Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
ASSETS				
Current assets				
Cash and cash equivalents		220,439	–	220,439
Restricted cash		3,750	–	3,750
Trade and other receivables		6,021	–	6,021
Inventories		68,952	–	68,952
Other current assets		5,238	–	5,238
		304,400	–	304,400
Non-current assets				
Restricted cash		657	–	657
Property, plant and equipment		257,413	–	257,413
Investment and other non-current assets	a	19,600	9,800	29,400
		277,670	9,800	287,470
		582,070	9,800	591,870
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		36,789	–	36,789
Income tax payable		21,231	–	21,231
Current portion of long-term debt		14,824	–	14,824
		72,844	–	72,844
Non-current liabilities				
Advances payable	b	3,007	(1,096)	1,911
Provision		7,008	–	7,008
Deferred income tax liabilities	c	3,023	294	3,317
		85,882	(802)	85,080
EQUITY				
Equity shareholders of the Corporation				
Share capital		452,542	–	452,542
Contributed surplus		8,053	–	8,053
Accumulated other comprehensive income	a	–	8,480	8,480
Retained earnings	d	33,841	(1,080)	32,761
		494,436	7,400	501,836
Non-controlling interests	e	1,752	3,202	4,954
		496,188	10,602	506,790
		582,070	9,800	591,870

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

16. Transition to International Financial Reporting Standards (continued)

The Canadian GAAP consolidated statement of operations and consolidated statement of comprehensive income for the year ended December 31, 2010 have been reconciled to IFRS the consolidated statement of income and comprehensive income as follows:

	Ref	For the year ended December 31, 2010		
		Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Consolidated statement of income				
Revenue – Gold sales		323,275	–	323,275
Costs of operations				
Mining operation expenses	f	134,856	–	134,856
Depreciation of property, plant and equipment		41,931	–	41,931
General and administrative	g	18,213	–	18,213
Stock-based compensation		3,525	–	3,525
Operating income		124,750	–	124,750
Other expenses (income)				
Finance income	h	(136)	–	(136)
Finance costs	i	3,607	174	3,781
Foreign exchange gain		(3,923)	–	(3,923)
Income before incomes taxes		**125,202**	**174**	**125,028**
Income tax expense (recovery)				
Current		23,776	–	23,776
Deferred	j	(3,572)	1,589	(1,983)
		20,204	1,589	21,793
Net income for the period	k	**104,998**	**(1,763)**	**103,235**
Attributable to:				
Equity shareholders of the Corporation	k + e	103,246	(2,787)	100,459
Non-controlling interests	e	1,752	1,024	2,776
Consolidated statement of comprehensive income				
Net income for the period	k	**104,998**	**(1,763)**	**103,235**
Other comprehensive income				
ıange in fair value of available-for-sale financial assets (net of tax)	l	–	2,120	2,120
Other comprehensive income for the period, net of tax		–	2,120	2,120
Comprehensive income for the period	k + l	**104,998**	**357**	**105,355**
Attributable to:				
Equity shareholders of the Corporation		103,246	(667)	102,579
Non-controlling interests	e	1,752	1,024	2,776

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

16. Transition to International Financial Reporting Standards (continued)

Presented below is the list of all references above in tables indicating IFRS transition impacts and explanation on the changes at transition date, as at June 30, 2010 and for the three and six-month periods then ended June 30, 2010, and as at December 31, 2010 and for the year then ended.

IFRS adjustments to the consolidated statement of financial position

a) Investments and other non-current assets

(In thousands of dollars)	As at January 1, 2010	As at June 30, 2010	As at December 31, 2010
Fair value of derivatives financial instruments	143	44	–
Investment in GoviEx, at cost	19,600	19,600	19,600
Canadian GAAP, as reported	19,743	19,644	19,600
Impact of measuring the investment in GoviEx at fair value	7,350	7,350	9,800
Fair value of derivatives financial instruments	143	44	–
Investment in GoviEx, at cost	26,950	26,950	29,400
IFRS basis	27,093	26,994	29,400

Accumulated other comprehensive income

(In thousands of dollars)	As at January 1, 2010	As at June 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	–	–	–
Impact of measuring the investment in GoviEx at fair value	6,360	6,360	8,480
IFRS basis	6,360	6,360	8,480

Under IFRS, the non-quoted equity investment in GoviEx Uranium Inc. ("GoviEx") is a financial instrument classified as an available-for-sale financial asset, which must be measured at fair value. The Corporation estimates the fair value of the investment in GoviEx using the most recent available information on this private equity investment. Accordingly, this investment is classified as a level 3 financial instrument according to our fair value hierarchy as it is not based on observable market data.

Should the most recent available information not be deemed appropriate to adequately determine the fair value of the investment in GoviEx, management determines the fair value of this investment through the application of a market approach utilizing the average variation of the share price calculated from guideline public companies or stock market index for a given period. Consequently, the Corporation is exposed to equity price risk because of its investment held and classified on the consolidated statement of financial position as available-for-sale. Equity price risk is the risk that the fair value of a financial instrument varies due to equity market changes. A variation of ± 10 % of the non-quoted equity investment in GoviEx as December 31, 2010, would result in an estimated effect in the consolidated statement of comprehensive income of $2,500,000 (net of tax) for the year ended December 31, 2010. Based on our estimates determined using the market approach valuation technique, the investment is recorded at its fair value of $26,950,000 in our opening consolidated statement of financial position. The $7,350,000 latent gain on the increase in the value of this investment is recorded as part of other comprehensive income, net of deferred income taxes of $990,000 (see note d), for a total of $6,360,000. During the third quarter of 2010, the fair value of the investment increased by $2,450,000 (excluding tax impact of $330,000) to $29,400,000 and the $9,800,000 cumulative latent gain on the increase in the value of this investment was recorded as part of other comprehensive income, net of cumulative deferred income taxes of $1,320,000 (see note d), for a total of $8,480,000.

b) Advance payable

(In thousands of dollars)	As at January 1, 2010	As at June 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	3,007	3,007	3,007
Impact of measuring the advance at its amortized cost[1]	(1,270)	(1,270)	(1,270)
Accretion expense for Advance payable to Republic of Niger	–	87	174
IFRS basis	1,737	1,824	1,911

[1] Under IFRS, the advance from the Republic of Niger has to be measured at its amortized cost using the original effective interest rate method. The amortized cost calculated under IFRS amounted to $1,737,000 in our opening consolidated statement of financial position, resulting in a $1,270,000 (see note d) increase in opening shareholders' equity and corresponding decrease in liability.

16. Transition to International Financial Reporting Standards (continued)

c) Deferred income tax liabilities

(In thousands of dollars)	As at January 1, 2010	As at June 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	7,110	3,157	3,023
Recognition of exchange gain on foreign non-monetary assets	(1,625)	3,057	294
IFRS basis	5,485	6,214	3,317

Upon application of IFRS standards, a deferred tax liability (asset) must be recognized for exchange gains and losses relating to foreign non-monetary assets and liabilities that are re-measured into the functional currency using historical exchange rates. This GAAP difference resulted into a reduction of $1,625,000 in deferred tax liability and an adjustment to opening deficit at transition date. We also recorded an increase in deferred tax liabilities of $2,883,000 for the second quarter of 2010 ($4,682,000 for the six-month period ended June 30, 2010), a decrease of $3,296,000 during the third quarter of 2010 and an increase of $533,000 during the last quarter of 2010 for a total net increase of $1,919,000 at the end of the year ended on December 31, 2010 as a result of the foreign exchange rate effective at the end of these periods.

d) Retained earnings (Deficit)

	As at January 1, 2010	As at June 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	(63,094)	(21,969)	33,841
Impact of measuring the investment in GoviEx at fair value (note a)	990	990	1,320
Impact of measuring the advance at its amortized cost (note b)	1,270	1,270	1,270
Recognition of exchange gain on foreign non-monetary assets (note c)	1,625	(3,057)	(294)
Attribution of non-controlling interests (note e)	–	(3,135)	(3,202)
Accretion expense for the advance payable to Republic of Niger (note b)	–	(87)	(174)
IFRS basis	(59,209)	(25,988)	32,761
Total variation	3,885	(4,019)	(1,080)

e) Non-Controlling interest

(In thousands of dollars)	Burkina Faso	Niger	Guinea	TOTAL
As at January 1, 2010	–	–	–	**–**
Share of net income (loss)	–	680	(511)	169
Share of transactions in subsidiaries' equity	–	1,792	386	2,178
As at March 31, 2010	–	2,472	(125)	**2,347**
Share of net income (loss)	–	1,183	(395)	788
As at June 30, 2010	–	3,655	(520)	**3,135**
Share of net income (loss)	1,752	52	15	1,819
As at December 31, 2010	1,752	3,707	(505)	**4,954**

Under IFRS, the amended IAS 27 requires that total comprehensive income be attributed to the equity shareholders of the Corporation and to the non-controlling interests ("NCIs"), even if this results in the NCIs having a deficit balance to equity. The standard also prevents the reallocation of previous losses to NCI, if these losses were previously attributed to the equity of the shareholders of the Corporation. The standard requires prospective application of the amendment from the date of transition, which is January 1, 2010 for SEMAFO. Accordingly, despite the fact that the subsidiaries located in Niger and Guinea have negative equity, and that the NCIs are not entitled to any earnings until the equity becomes positive, NCIs had to be recorded starting January 1, 2010.Under IFRS, the NCIs' share of the net assets of subsidiaries is included in equity and their share of the comprehensive income of subsidiaries is allocated directly to equity. Under Canadian GAAP, NCIs were presented as a separate item between liabilities and equity in the consolidated statement of financial position and the NCIs' share of income and comprehensive income were deducted in calculating net income and comprehensive income of the entity. Accordingly, NCIs have been reclassified to equity.

16. Transition to International Financial Reporting Standards (continued)

IFRS adjustments to the consolidated income statement

f) Mining operation expenses

(In thousands of dollars)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	30,411	57,526	122,144
Reclassification of government royalties	3,260	5,794	12,712
Canadian GAAP, as adjusted for IFRS format	33,671	63,320	134,856

Under IFRS, Government royalties are presented as part of "Mining operation expenses".

g) General and administrative

(In thousands of dollars)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	4,460	7,429	17,145
Charitable donations - *Fondation SEMAFO*	252	579	1,068
Canadian GAAP, as adjusted for IFRS format	4,712	8,008	18,213

Under IFRS, charitable donations are presented as part of "General and administrative expenses".

h) Finance income

(In thousands of dollars)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	Nil	Nil	Nil
Interest, banking fees and other income (gross)	(27)	(50)	(136)
Canadian GAAP, as adjusted for IFRS format	(27)	(50)	(136)

Under IFRS, "Finance income" and "Finance costs" are presented separately on a gross basis.

i) Finance costs

(In thousands of dollars)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	Nil	Nil	Nil
Interest on long term debt	694	1,539	2,728
Interest, banking fees and other income (gross)[1]	250	250	264
Accretion expense of asset retirement obligation[2]	117	235	470
Change in the fair value of derivative financial instruments[2]	50	100	145
Canadian GAAP, as adjusted for IFRS format	1,111	2,124	3,607
Accretion expense for the Advance payable to Republic of Niger[3]	44	87	174
IFRS basis	1,155	2,211	3,781

[1] Under IFRS, "Finance income" and "Finance costs" are presented separately on a gross basis.
[2] For IFRS purposes, accretion expenses and change in fair value of derivative financial instruments are combined to interest expense and are presented as "Finance costs".
[3] Consult reference b) for explanations on the accretion expense for the advance payable to Republic of Niger

16. Transition to International Financial Reporting Standards (continued)

j) Deferred tax expense (recovery)

(In thousands of dollars)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	(3,762)	(3,953)	(3,572)
Recognition of exchange gain on foreign non-monetary assets (note c)	2,883	4,682	1,919
Deferred income tax recovery on latent gain of GoviEx (note a)	–	–	(330)
IFRS basis	(879)	729	(1,983)

k) Net income for the period

(In thousands of dollars)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	33,631	47,436	103,246
Non-controlling interests (note e)	–	–	1,752
Canadian GAAP, as adjusted under IFRS format	33,631	47,436	104,998
Recognition of exchange gain on foreign non-monetary assets (note c)	(2,883)	(4,682)	(1,919)
Deferred income tax recovery on latent gain of GoviEx (note a)	–	–	330
Accretion expense for the Advance payable to Republic of Niger (note i)	(44)	(87)	(174)
IFRS basis	30,704	42,667	103,235
Total variation	(2,927)	(4,769)	(1,763)

l) Other comprehensive income

(In thousands of dollars)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	–	–	–
Impact of measuring the investment in GoviEx at fair value (net of tax) (note a)	–	–	2,120
IFRS basis	–	–	2,120

17. Disclosure Controls and Procedures

In accordance with National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, an evaluation of the effectiveness of the Corporation's disclosure controls and procedures ("DC&P") and its internal control over financial reporting ("ICFR") was conducted. Based on this evaluation, the President and 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, 2011, and that, as a result, ICFR design provides reasonable assurance that material information relating to the Corporation 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 Corporation 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 Corporation's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with IFRS. 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 April 1, 2011 and ending on June 30, 2011.

18. Non-GAAP Financial Performance Measures

Throughout this document, we have provided measures prepared according to IFRS and Canadian GAAP, as well as some non -GAAP financial performance measures. Because the non-GAAP performance measures do not have any standardized definition prescribed by IFRS and Canadian GAAP, they may not be comparable to similar measures presented by other companies. We provide these non-GAAP financial performance measures as they may be used by some investors to evaluate our financial 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 IFRS and Canadian GAAP. For the non-GAAP financial performance measures not already reconciled within the document, we have defined the non-GAAP financial performance measures below and reconciled them to reported IFRS and Canadian GAAP measures.

Cash Operating Cost

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

				Three month period ended June 30, 2011
Per Ounce Produced	**Mana**	**Samira Hill**	**Kiniero**	**Total**
Gold ounces produced	**47,800**	**10,600**	**5,400**	**63,800**
(In thousands of dollars except per ounce)				
Mining operation expenses (relating to ounces sold)	**29,250**	**9,420**	**4,980**	**43,650**
Government royalties and selling expenses	**(4,116)**	**(930)**	**(475)**	**(5,521)**
Effects of inventory adjustments (doré bars)	**(1,396)**	**478**	**419**	**(499)**
Operating costs (relating to ounces produced)	**23,738**	**8,968**	**4,294**	**37,630**
Cash operating cost (per ounce produced)	**497**	**846**	**912**	**590**

				Three month period ended June 30, 2010
Per Ounce Produced	**Mana**	**Samira Hill**	**Kiniero**	**Total**
Gold ounces produced	45,700	15,600	7,000	68,300
(In thousands of dollars except per ounce)				
Mining operation expenses (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 inventory adjustments (doré bars)	(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

18. Non-GAAP Financial Performance Measures (continued)

Per Tonne Processed	Mana	Samira Hill	Kiniero	Three month period ended June 30, 2011 Total
Tonnes of ore processed	**627,200**	**321,900**	**106,800**	**1,055,900**
(In thousands of dollars except per ounce)				
Mining operation expenses (relating to ounces sold)	**29,250**	**9,420**	**4,980**	**43,650**
Government royalties and selling expenses	**(4,116)**	**(930)**	**(475)**	**(5,521)**
Effects of inventory adjustments (doré bars and gold in circuit)	**(535)**	**453**	**169**	**87**
Operating costs (relating to tonnes processed)	**24,599**	**8,943**	**4,674**	**38,216**
Cash operating cost (per tonne processed)	**39**	**28**	**44**	**36**

Per Tonne Processed	Mana	Samira Hill	Kiniero	Three month period ended June 30, 2010 Total
Tonnes of ore processed	520,200	286,600	123,400	930,200
(In thousands of dollars except per ounce)				
Mining operation expenses (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 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

Operating Cash Flow Per Share

	Three month period ended June 30		Six-month period ended June 30	
(In thousands)	**2011**	**2010**	**2011**	**2010**
Cash flow from operating activities [1]	**43,191**	41,314	**74,508**	66,580
Weighted average number of outstanding common shares	**272,464**	256,234	**272,369**	253,618
Operating cash flow per share	**0.16**	0.16	**0.27**	0.26

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

19. Additional Information and Continuous Disclosure

This MD&A has been prepared as of August 9, 2011. Additional information on the Corporation is available through regular filings of press releases, financial statements and its Annual Information Form on SEDAR (www.sedar.com). You may also find these documents and other information about SEMAFO on our web site at www.semafo.com

20. 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 Corporation 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. Forward-looking statements include words or expressions such as "committed", "evolve", "become", "pursuing", "growth", "opportunities", "further", "increase", "accelerate", "objectives", "guidance", "anticipate", "estimated", "payback" and other similar expressions. 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 of delays in construction, requirements of additional financing, increase in tax or royalty rates or adoption of new interpretations related thereto, the ability to deliver on our strategic focus and other risks described in this MD&A and in the Corporation's other documents filed from time to time with Canadian securities regulatory authorities. Although the Corporation 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 Corporation and other filings of the Corporation with Canadian securities regulatory authorities available at www.sedar.com. The Corporation disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.

(Expressed in thousands of U.S. dollars - unaudited)

	As at June 30, 2011 $	As at December 31, 2010 $ (note 21)	As at January 1, 2010 $ (note 21)
Assets			
Current assets			
Cash and cash equivalents (note 4)	222,700	220,439	62,481
Restricted cash	3,750	3,750	–
Trade and other receivables (note 5)	11,261	6,021	9,894
Inventories (note 6)	73,002	68,952	60,300
Other current assets	7,386	5,238	4,556
	318,099	304,400	137,231
Non-current assets			
Restricted cash	962	657	4,407
Property, plant and equipment (note 7)	301,048	257,413	200,375
Investment and other non-current assets	29,400	29,400	27,093
	331,410	287,470	231,875
	649,509	591,870	369,106
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	51,815	36,789	33,658
Income tax payable	15,331	21,231	5,019
Current portion of long-term debt (note 8)	7,437	14,824	18,808
	74,583	72,844	57,485
Non-current liabilities			
Long-term debt (note 8)	–	–	15,612
Advance payable (note 9)	2,007	1,911	1,737
Provisions (note 10)	8,237	7,008	5,879
Deferred income tax liabilities	1,336	3,317	5,485
	86,163	85,080	86,198
Equity			
Equity Shareholders of the Corporation			
Share capital (note 11)	453,858	452,542	329,759
Contributed surplus	10,050	8,053	5,998
Accumulated other comprehensive income	8,480	8,480	6,360
Retained earnings (deficit)	81,561	32,761	(59,209)
	553,949	501,836	282,908
Non-controlling interests	9,397	4,954	–
	563,346	506,790	282,908
	649,509	591,870	369,106

Commitments (note 18)

Approved by the board of directors,

Jean Lamarre, Director

Benoit La Salle, FCA, Director

Interim consolidated statement of income and comprehensive income

(Expressed in thousands of U.S. dollars, except per share amounts –unaudited)

	Three-month period ended June 30,		Six-month period ended June 30,	
	2011	2010	2011	2010
	$	$	$	$
		(note 21)		(note 21)
Revenue – Gold sales	100,398	87,085	179,765	150,660
Costs of operations				
Mining operation expenses (note 12)	43,650	33,671	80,729	63,320
Depreciation of property, plant and equipment	9,726	11,311	17,873	22,627
General and administrative (note 13)	5,774	4,712	12,289	8,008
Stock-based compensation (note 14)	658	826	2,914	2,069
Operating income	40,590	36,565	65,960	54,636
Other expense (income)				
Finance income	(110)	(27)	(229)	(50)
Finance costs (note 15)	770	1,155	1,327	2,211
Foreign exchange loss (gain)	843	(781)	1,267	(812)
Income before income taxes	39,087	36,218	63,595	53,287
Income tax expense (recovery)				
Current	7,146	6,393	12,533	9,891
Deferred	(910)	(879)	(2,181)	729
	6,236	5,514	10,352	10,620
Net income and comprehensive income for the period	32,851	30,704	53,243	42,667
Attributable to:				
Equity shareholders of the Corporation	30,631	29,916	48,800	41,710
Non-controlling interests (note 16)	2,220	788	4,443	957
	32,851	30,704	53,243	42,667
Earnings per share (note 17)				
Basic	0.11	0.12	0.18	0.16
Diluted	0.11	0.11	0.17	0.16

Interim consolidated statement of changes in equity

(Expressed in thousands of U.S. dollars - unaudited)

	Attributable to equity shareholders of the Corporation						
	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Retained earnings (deficit) $	Total $	Non-controlling interest $	TOTAL EQUITY $
Balance – January 1, 2011	**452,542**	**8,053**	**8,480**	**32,761**	**501,836**	**4,954**	**506,790**
Net income and comprehensive income for the period	–	–	–	48,800	48,800	4,443	53,243
Stock-based compensation (note 14)	–	2,315	–	–	2,315	–	2,315
Exercise of options (notes 11 and 14)	1,316	(318)	–	–	998	–	998
Balance – June 30, 2011	**453,858**	**10,050**	**8,480**	**81,561**	**553,949**	**9,397**	**563,346**
Balance – January 1, 2010	**329,759**	**5,998**	**6,360**	**(59,209)**	**282,908**	**–**	**282,908**
Net income and comprehensive income for the period	–	–	–	41,710	41,710	957	42,667
Shares issued and paid in cash	113,018	–	–	(6,311)	106,707	–	106,707
Stock-based compensation (note 14)	–	2,069	–	–	2,069	–	2,069
Exercise of options (notes 11 and 14)	1,749	(391)	–	–	1,358	–	1,358
Non-controlling interests' share of transactions in subsidiaries' equity	–	–	–	(2,178)	(2,178)	2,178	–
Balance – June 30, 2010	**444,526**	**7,676**	**6,360**	**(25,988)**	**432,574**	**3,135**	**435,709**

Interim consolidated statement of cash flows

(Expressed in thousands of U.S. dollars - unaudited)

	Three-month period ended June 30		Six-month period ended June 30	
	2011	2010	2011	2010
	$	$	$	$
		(note 21)		(note 21)
Cash flows from (used in):				
Operating activities				
Net income for the period	32,851	30,704	53,243	42,667
Adjustment for :				
Depreciation of property, plant and equipment	9,726	11,311	17,873	22,627
Stock-based compensation	658	826	2,914	2,069
Non-cash net finance costs	219	343	462	741
Unrealized foreign exchange loss (gain)	647	(991)	2,197	(2,253)
Deferred income taxes (recovery) expense	(910)	(879)	(2,181)	729
	43,191	41,314	74,508	66,580
Changes in non-cash working capital items (note 19 a)	2,159	(120)	(4,445)	(6,071)
	45,350	41,194	70,063	60,509
Financing activities				
Reimbursement of long-term debt	(3,750)	(5,153)	(7,500)	(10,321)
Proceeds on issuance of share capital	575	113,816	998	114,376
Share issue expense	–	(6,311)	–	(6,311)
	(3,175)	102,352	(6,502)	97,744
Investing activities				
Additions to property, plant and equipment	(27,041)	(26,635)	(58,998)	(43,854)
Increase in restricted cash	–	–	(305)	–
	(27,041)	(26,635)	(59,303)	(43,854)
Effect of exchange rate changes on cash and cash equivalents	(596)	896	(1,997)	2,087
Change in cash and cash equivalents during the period	14,538	117,807	2,261	116,486
Cash and cash equivalents – beginning of period	208,162	61,160	220,439	62,481
Cash and cash equivalents – end of period	222,700	178,967	222,700	178,967
Interest paid	267	563	553	1,220
Interest received	110	27	229	50
Income tax paid	19,650	5,343	19,650	5,343

Supplementary cash flow information (note 19)

1. Incorporation and nature of activities

SEMAFO Inc. (the "Corporation") is governed by the *Business Corporation Act* (Quebec) and is listed on the Toronto Stock Exchange.

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

2. Basis of preparation and adoption of IFRS

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Corporation commenced reporting on this basis in its 2011 interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting, and IFRS 1, First-time Adoption of International Financial Reporting Standards. The accounting policies followed in these interim financial statements are the same as those applied in the Corporation's interim financial statements for the period ended March 31, 2011. The Corporation has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 21 discloses the impact of the transition to IFRS on the Corporation's reported equity as at June 30, 2010 and comprehensive income for the three and six months period ended June 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these condensed interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of August 9, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Corporation's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Corporation's interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

3. New accounting standard issued but not yet in effect

The IASB issued the following standards which are relevant but have not yet been adopted by the Corporation: IFRS 9, *Financial instruments*, IFRS 10, *Consolidated Financial Statement*, IFRS 12, *Disclosure of Interests in Other Entities* and IFRS 13, *Fair Value Measurement.* Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to adopt in advance any of the new requirements.

3. New accounting standard issued but not yet in effect (continued)

The following is a brief summary of the new standards:

IFRS 9 - Financial instruments - classification and measurement

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

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Corporation has not yet assessed the impact of the standard or determined whether it will adopt it in advance.

IFRS 10 – Consolidated Financial Statement

IFRS 10, *Consolidated Financial Statement* (IFRS 10), requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12, *Disclosure of Interests in Other Entities,* establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13, *Fair Value Measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements* (IAS 27), and IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

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

4. Cash and cash equivalents

	As at June 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Cash	165,700	220,439	62,481
Cash equivalents	57,000	–	–
	222,700	220,439	62,481

Cash equivalents is composed of two 60-day zero coupon $20,000,000 bank deposits bearing interest at a rate of 0.24% per annum and maturing on July 25, 2011 and August 23, 2011, as well as a 273-day zero coupon $17,000,000 bank deposit bearing interests at a rate of 0.12% per annum and maturing on October 17, 2011. Despite an investment period of over 90 days, the $17,000,000 bank deposit is deemed a highly liquid cash equivalent item as it can be redeemed any time without penalties.

5. Trade and other receivables

	As at June 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Gold Trade receivables	3,880	358	3,869
Other receivables	7,381	5,663	6,025
	11,261	6,021	9,894

Trade receivables relate to gold shipments not yet collected. They are non-interest bearing and are generally settled within 15 days after the day of the shipment.

6. Inventories

	As at June 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Doré bars	3,313	1,789	1,053
Gold in circuit	6,316	6,294	8,547
Stockpiles	5,237	7,727	10,675
Supplies and spare parts	58,136	53,142	40,025
	73,002	68,952	60,300

The cost of inventory that was charged to expenses represents mostly mining operation expenses and essentially all of the depreciation of property, plant and equipment. There were neither write down nor reversals of write-downs during the period.

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

7. Property, plant and equipment

	Property, acquisition costs, deferred exploration and development costs $	Buildings and equipment related to mining production $	Mining equipment $	Rolling stock, communication and computer equipment $	Stripping costs $	TOTAL $
Six-month period ended June 30, 2011						
Opening net book amount	105,237	99,283	36,466	4,219	12,208	257,413
Additions	27,215	13,496	11,704	1,825	7,835	62,075
Depreciation charge	(8,208)	(5,271)	(3,563)	(633)	(765)	(18,440)
Closing net book amount	**124,244**	**107,508**	**44,607**	**5,411**	**19,278**	**301,048**
As at June 30, 2011						
Cost	220,632	161,310	63,632	13,020	23,871	482,465
Accumulated depreciation	(96,388)	(53,802)	(19,025)	(7,609)	(4,593)	(181,417)
Net book amount	**124,244**	**107,508**	**44,607**	**5,411**	**19,278**	**301,048**
Assets not being depreciated included in above[1)]	–	10,590	7,194	842	–	18,626
As at January 1, 2010						
Cost	174,276	109,713	26,425	8,640	3,694	322,748
Accumulated depreciation	(69,040)	(35,767)	(9,843)	(6,081)	(1,642)	(122,373)
Net book amount	105,236	73,946	16,582	2,559	2,052	200,375
Year ended December 31, 2010						
Opening net book amount	105,236	73,946	16,582	2,559	2,052	200,375
Additions	19,141	38,101	25,503	2,555	12,342	97,642
Depreciation charge	(19,140)	(12,764)	(5,619)	(895)	(2,186)	(40,604)
Closing net book amount	**105,237**	**99,283**	**36,466**	**4,219**	**12,208**	**257,413**
As at December 31, 2010						
Cost	193,417	147,814	51,928	11,195	16,036	420,390
Accumulated depreciation	(88,180)	(48,531)	(15,462)	(6,976)	(3,828)	(162,977)
Net book amount	**105,237**	**99,283**	**36,466**	**4,219**	**12,208**	**257,413**
Assets not being depreciated included in above[1)]	–	6,633	1,073	–	–	7,706

[1)] Assets not being depreciated include critical spare parts not installed as well as assets under construction or in transit.

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

8. Long-term debt

Long-term debt consists of the following:

	As at June 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Bank loan of $20,000,000	–	–	3,750
Term facility of $45,000,000, bearing interest at 7.62% payable quarterly, principal repayable in twelve equal quarterly instalments 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, intercompany advances and other intangibles. [1)]	7,500	15,000	30,000
Other loans	–	–	1,349
Long-term debt	7,500	15,000	35,099
Deferred transaction costs	(63)	(176)	(679)
Long-term debt, net of deferred transaction costs	7,437	14,824	34,420
Current portion of long-term debt	7,437	14,824	18,808
Long-term portion of long-term debt	–	–	15,612

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

9. Advances payable

	As at June 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Advance payable to the Republic of Niger, non-interest bearing	2,007	1,911	1,737

The Republic of Niger has a 20% ownership interest in a subsidiary of the Corporation and is a related party.

Under the mining agreement, the Republic of Niger is entitled to receive a reimbursement for its exploration costs previously incurred on the Samira Hill project. These costs will be repaid from the operating surplus of the subsidiary, the owner of the Samira Hill permit. The $3,007,000 advance is non-interest bearing.

10. Provisions

	As at June 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Asset retirement obligations	7,638	7,008	5,879
Restricted share units	599	–	–
	8,237	7,008	5,879

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

11. Share capital

Authorized

Unlimited number of common shares without par value

Unlimited number of Class "A" preferred shares, no par value, non-voting, non-participating and redeemable at the option of the holder at a price of $0.34 (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 Corporation at a price of $0.12 (CA $0.12) per share

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

	Six-month period ended June 30, 2011		Six-month period ended June 30, 2010	
	Number (in thousands)	Amount $	Number (in thousands)	Amount $
Common shares				
Balance – beginning of year	272,238	452,542	250,863	328,304
Issued and paid in cash	–	–	17,250	113,018
Issued for exercises of options	425	1,316	641	1,749
Balance – end of period	272,663	453,858	268,754	443,071
Warrants				
Balance – beginning and end of period	–	–	1,800	1,455
Common shares and warrants	272,663	453,858	270,554	444,526

On June 4, 2010, the Corporation 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 totalled $6,311,000.

Rights plan

On March 15, 2011, the board of directors of the Corporation approved the adoption of a shareholder rights plan ("Rights Plan") for which shareholder approval was obtained at the Corporation's annual and special meeting of shareholders held on May 10, 2011. The purpose of the Rights Plan is to provide the shareholders and directors of the Corporation with adequate time to consider and evaluate any unsolicited bid and to provide the directors with adequate time to identify, develop and negotiate value-enhancing alternatives, if considered appropriate, to any such unsolicited bid.

The Rights Plan has been accepted by the Toronto Stock Exchange and is effective as of March 15, 2011 (the "Effective Date"). At the close of business on the Effective Date (as defined in the Rights Plan), one right (a "Right") will be issued and attached to each common share of SEMAFO outstanding at that time. A Right will also be attached to each common share issued after the Effective Date. The Rights Plan is in effect until the termination of the Corporation's annual meeting in 2014.

The Rights Plan is not triggered if an offer to acquire common shares of SEMAFO is made as a "Permitted Bid" and thereby allows sufficient time for shareholders to consider and react to the offer. A "Permitted Bid" is a take-over bid made by way of a take-over bid circular that, among other things, remains open for a minimum of 60 days and requires that it be accepted by more than 50% of the common shares held by independent shareholders. The Rights Plan will be triggered by an acquisition, other than pursuant to a Permitted Bid, of 20% or more of the outstanding common shares of SEMAFO or the commencement of a take-over bid that is not a Permitted Bid.

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

12. Mining operation expenses

	Three-month period ended June 30		Six-month period ended June 30	
	2011	2010	2011	2010
	$	$	$	$
Production costs	38,500	30,411	72,079	57,526
Government Royalties	5,150	3,260	8,650	5,794
	43,650	33,671	80,729	63,320

13. General and administrative

	Three-month period ended June 30		Six-month period ended June 30	
	2011	2010	2011	2010
	$	$	$	$
Corporate expenses	4,215	3,228	8,246	4,917
Sites - Administrative	1,167	1,178	2,681	2,444
Sites - Corporate social responsibility expenses	392	54	662	68
Donation to Fondation SEMAFO	-	252	700	579
	5,774	4,712	12,289	8,008

14. Stock-based compensation

a) Options

The Corporation has two stock option plans for its employees, directors, officers and consultants and those of its subsidiaries; the Stock Option Plan (the “Original Plan”) and the 2010 Stock Option Plan (the “2010 Plan”).

The Corporation’s shareholders adopted the 2010 Plan at the 2010 Annual General and Special Meeting of the Shareholders. The 2010 Plan is similar to the Original Plan, but provides, among other things, for a five year option term instead of the 10-year option term provided under the Original Plan. Since the adoption by the Corporation’s shareholders of the 2010 Plan, no further options have been granted nor will be granted under the Original Plan.

A total of 113,000 new options were issued to employees, directors, officers and consultants of the Corporation during the six-month period ended June 30, 2011. The fair market value of these new options is evaluated at $602,000.

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 30,2011	Six-month period ended June 30, 2010
Average dividend per share	0%	0%
Average forecasted volatility	60%	60%
Average risk-free interest rate	2.06%	2.39%
Average expected life	5 years	5 years
Fair value – weighted average of options issued	$5.34	$2.46

For the six-month period ended June 30, 2011, the total expense for the stock-based compensation related to the stock-option plan was $2,315,000, compared to $2,069,000 for the corresponding period in 2010 ($658,000 and $826,000 for the second quarter in 2011 and 2010, respectively). 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.

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

14. Stock-based compensation (continued)

a) Options (continued)

A total of 425,000 options were exercised during the first six-month of 2011 under the Original Plan for a cash consideration of $998,000. An amount of $318,000 from these options has been reclassified from contributed surplus to share capital. In 2010, for the same period, a total of 641,000 options were exercised under the Original 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 for the corresponding period in 2010.

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

	Six-month period ended June 30, 2011		Six-month period ended June 30, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	(in thousands)	$	(in thousands)	$
Balance – beginning of year	9,948	2.61 (CA $2.59)	10,438	1.93 (CA $2.02)
Forfeited	–	–	(125)	1.90 (CA $2.01)
Exercised	(425)	2.35 (CA $2.27)	(641)	2.12 (CA $2.19)
Issued	113	10.49 (CA $10.11)	1,860	4.55 (CA $4.83)
Balance – end of period	9,636	2.79 (CA $2.69)	11,532	2.32 (CA $2.46)
Options exercisable – end of period	5,088	2.41 (CA $2.33)	4,822	1.90 (CA $2.02)

b) Restricted share units

Under the Corporation's Restricted Share Unit Plan ("Unit Plan"), restricted share units ("RSUs") can be granted to employees, directors, officers and consultants as part of their long-term compensation package, entitling them to receive payout in cash. Pursuant to the Unit Plan, the RSUs granted are scheduled for payout after three years provided that the applicable vesting conditions are met at the end of the performance cycle. The current vesting rights of the RSUs correspond to the achievement of an annual objective for the mineral reserve replenishment combined with the participants' remaining at the employment of the Corporation at the end of the vesting period. The annual objective for the mineral reserve replenishment is determined at the issuance date or before that date. The value of the payout is determined by multiplying the number of RSUs vested at the end of the performance cycle by the average closing price of the Corporation's shares in the last five trading days prior to the end of said performance cycle.

The following table provides the 2011 activity for all restricted share units

	RSUs non vested	RSUs vested
Outstanding as of January 1, 2011	–	–
Granted	503,000	–
Outstanding as of June 30, 2011	503,000	–

For the six-month period ended June 30, 2011, the stock-based compensation expense related to the Unit Plan for the 2011 grant totalled $599,000 ($213,000 for the three-month period ended in June 30, 2011 and nil for the same period in 2010 as the program was created in 2011). As of June 30, 2011, none of the outstanding RSUs are vested.

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

15. Finance costs

	Three-month period ended June 30,		Six-month period ended June 30,	
	2011	2010	2011	2010
	$	$	$	$
Interest expense on long-term debt	267	694	616	1,539
Accretion expense of asset retirement obligations	121	117	253	235
Accretion expense of advance payable to the Republic of Niger	49	44	96	87
Other finance costs	333	300	362	350
Total finance costs	770	1,155	1,327	2,211

16. Non-controlling interests

	Three-month period ended June 30		Six-month period ended June 30	
	2011	2010	2011	2010
	$	$	$	$
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A.	3,140	–	5,409	–
Government of Niger – 20% in Société des Mines du Liptako (SML) S.A.	(786)	1,183	(373)	1,863
Government of Guinea – 15% in SEMAFO Guinée S.A.	(134)	(395)	(593)	(906)
	2,220	788	4,443	957

17. Earnings per share

	Three-month period ended June 30		Six-month period ended June 30	
	2011	2010	2011	2010
	$	$	$	$
Net income for the period attributable to the shareholders of the Corporation	30,631	29,916	48,800	41,710
Weighted average number of outstanding common shares	272,464	256,234	272,369	253,618
Effect of dilutive stock options and warrants	6,183	8,633	6,559	7,867
Average weighted number of outstanding diluted common shares	278,647	264,867	278,928	261,485
Basic earnings per share	0.11	0.12	0.18	0.16
Diluted earnings per share	0.11	0.11	0.17	0.16

18. Commitments

Purchase obligations

As at June 30, 2011, our purchase commitments related to the Mana plant expansion and the purchase of our new mining fleet totalled $5,466,000 and $3,300,000, respectively.

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

19. Financial information included in consolidated statements of cash flows

a) Changes in non-cash working capital items

	Three-month period ended June 30		Six-month period ended June 30	
	2011 $	2010 $	2011 $	2010 $
Trade and other receivables	7,100	(1,135)	(5,240)	2,110
Inventories	(2,947)	(2,434)	(6,175)	(6,474)
Other current assets	(1,221)	(382)	(2,148)	(1,318)
Trade payables and accrued liabilities	11,693	2,784	15,018	(4,934)
Income tax payable	(12,466)	1,047	(5,900)	4,545
	2,159	(120)	(4,445)	(6,071)

b) Supplemental information on items not affecting cash

	Three-month period ended June 30		Six-month period ended June 30	
	2011 $	2010 $	2011 $	2010 $
Depreciation of property, plant and equipment allocated to exploration and stripping costs	22	16	97	31
Net effect of depreciation of property, plant and equipment allocated to inventories	459	(1,620)	470	(855)
New asset retirement obligations allocated to property, plant and equipment	200	164	385	329

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

20. Segmented information

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

					Three-month period ended June 30, 2011
	Mana Mine, Burkina Faso $	Samira Hill Mine, Niger $	Kiniero Mine, Guinea $	Corporate and others $	Total $
Revenue – Gold sales	77,282	15,277	7,839	–	100,398
Mining Operating expenses	29,250	9,420	4,980	–	43,650
Depreciation of property, plant and equipment	6,284	2,267	1,120	55	9,726
General and administrative	423	320	816	4,215	5,774
Stock-based compensation	–	–	–	658	658
Operating income (loss)	**41,325**	**3,270**	**923**	**(4,928)**	**40,590**

					Three-month period ended June 30, 2010
Revenue – Gold sales	60,756	18,344	7,985	–	87,085
Mining Operating expenses	19,645	9,453	4,573	–	33,671
Depreciation of property, plant and equipment	6,770	2,363	2,139	39	11,311
General and administrative	200	468	564	3,480	4,712
Stock-based compensation	–	–	–	826	826
Operating income (loss)	**34,141**	**6,060**	**709**	**(4,345)**	**36,565**

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

20. Segmented information (continued)

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

					Six-month period ended June 30, 2011
	Mana Mine, Burkina Faso $	Samira Hill Mine, Niger $	Kiniero Mine, Guinea $	Corporate and others $	Total $
Revenue – Gold sales	136,584	29,105	14,076	–	179,765
Mining Operating expenses	52,027	18,727	9,975	–	80,729
Depreciation of property, plant and equipment	11,664	3,953	2,148	108	17,873
General and administrative	1,091	845	1,407	8,946	12,289
Stock-based compensation	–	–	–	2,914	2,914
Operating income (loss)	**71,802**	**5,580**	**546**	**(11,968)**	**65,960**
Property, plant and equipment	192,816	81,173	23,487	3,572	301,048
Total assets	295,411	115,642	40,868	197,588	649,509

					Six-month period ended June 30, 2010
Revenue – Gold sales	99,706	33,833	17,121	–	150,660
Mining Operating expenses	34,142	18,384	10,794	–	63,320
Depreciation of property, plant and equipment	13,145	4,671	4,734	77	22,627
General and administrative	588	850	1,074	5,496	8,008
Stock-based compensation	–	–	–	2,069	2,069
Operating income (loss)	**51,831**	**9,928**	**519**	**(7,642)**	**54,636**
Property, plant and equipment	135,293	61,258	25,723	512	222,786
Total assets	211,207	90,006	43,898	167,619	512,730

21. Transition to IFRS

The Corporation's transition date to IFRS was January 1, 2010. The Corporation prepared it opening IFRS consolidated statement of financial position at that date.

1) Exemptions and exceptions from full retrospective application elected by the Corporation

In preparing these condensed interim consolidated financial statements in accordance with IFRS 1, the Corporation has applied mandatory transition exceptions and the following exemptions from full retrospective application of IFRS:

- *IFRS 3 Business Combination* election: This election allows the Corporation to adopt IFRS 3(R) prospectively from the date of transition. The impact of this exemption is that all prior business combinations will continue to be accounted for as they were under Canadian GAAP.

- Leases election: The exemption provided in IFRS 1 from the full retrospective application of IFRS Interpretations Committee 4 (IFRIC 4) has been applied to determine whether an arrangement existing as at January 1, 2010 contains a lease based on the facts and circumstances existing at that date. An additional exemption is available to the Corporation that, under Canadian GAAP, has already made an assessment as to whether an arrangement contains a lease, provided their previous conclusion is consistent with the criteria within IAS 17, and IFRIC 4.

- The Corporation has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As such, the Corporation has re-measured the provisions as at January 1, 2010 under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. The Corporation did this using best estimate of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation, depletion and depreciation under IFRS up to the transition date. No transition adjustment was recorded.

- The Corporation elected under IFRS 1 not to apply IFRS 2, *Share-based Payments*, to all equity instruments of share-based payments that had vested at the transition date. Further, the Corporation elected not to apply IFRS 2 for all cash-settled share-based payments that were settled before the transition date.

- The Corporation elected to apply IAS 23 *Borrowing Costs* prospectively from the date of transition, therefore the accounting of borrowing costs prior to the transition date was not reassessed in the opening IFRS consolidated statement of financial position.

- *Non-controlling interest*: According to this exception the Corporation must, prospectively from the date of transition to IFRSs, attributed the Corporation's total comprehensive income to the shareholders of the Corporation as well as to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- Estimates: Hindsight is not used to create or revise estimates. The estimates previously made by the management of the Corporation under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

2) Reconciliation of IFRS and Canadian GAAP

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Corporation's actual cash flows, it has resulted in changes to the Corporation's reported financial position and statement of income. In order to allow the users of the financial statements to better understand these changes, the Corporation's Canadian GAAP consolidated statements of operations and comprehensive income for the year ended December 31, 2010 and the three and six-month periods ended June 30, 2010 as well as the statements of financial position as at January 1, 2010, June 30, 2010 and December 31, 2010, and the consolidated statement of cash flows for the three and six-month periods ended June 30, 2010 have been reconciled to IFRS, with the resulting differences explained.

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

21. Transition to IFRS (continued)

The Canadian GAAP consolidated balance sheet has been reconciled to IFRS for the January 1, 2010 opening consolidated statement of financial position as follows:

	Ref	January 1, 2010 Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
ASSETS				
Current assets				
Cash and cash equivalents		62,481	–	62,481
Trade and other receivables		9,894	–	9,894
Inventories		60,300	–	60,300
Other current assets		4,556	–	4,556
		137,231	–	137,231
Non-current assets				
Restricted cash		4,407	–	4,407
Property, plant and equipment		200,375	–	200,375
Investment and other non-current assets	a	19,743	7,350	27,093
		224,525	7,350	231,875
		361,756	7,350	369,106
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		33,658	–	33,658
Income tax payable		5,019	–	5,019
Current portion of long-term debt		18,808	–	18,808
		57,485	–	57,485
Non-current liabilities				
Long-term debt		15,612	–	15,612
Advances payable	b	3,007	(1,270)	1,737
Provisions		5,879	–	5,879
Deferred income tax liabilities	c	7,110	(1,625)	5,485
		89,093	(2,895)	86,198
EQUITY				
Equity shareholders of the Corporation				
Share capital		329,759	–	329,759
Contributed surplus		5,998	–	5,998
Accumulated other comprehensive income	a	–	6,360	6,360
Deficit	d	(63,094)	3,885	(59,209)
		272,663	10,245	282,908
		361,756	7,350	369,106

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

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

21. Transition to IFRS (continued)

The Canadian GAAP consolidated balance sheet as at June 30, 2010 has been reconciled to the consolidated statement of financial position under IFRS as follows:

	Ref	June 30, 2010 Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
ASSETS				
Current assets				
Cash and cash equivalents		178,967	–	178,967
Trade and other receivables		7,784	–	7,784
Inventories		65,919	–	65,919
Other current assets		5,873	–	5,873
		258,543	–	258,543
Non-current assets				
Restricted cash		4,407	–	4,407
Property, plant and equipment		222,786	–	222,786
Investment and other non-current assets	a	19,644	7,350	26,994
		246,837	7,350	254,187
		505,380	7,350	512,730
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		28,730	–	28,730
Income tax payable		9,564	–	9,564
Current portion of long-term debt		16,248	–	16,248
		54,542	–	54,542
Non-current liabilities				
Long-term debt		8,004	–	8,004
Advances payable	b	3,007	(1,183)	1,824
Provisions		6,437	–	6,437
Deferred income tax liabilities	c	3,157	3,057	6,214
		75,147	1,874	77,021
EQUITY				
Equity shareholders of the Corporation				
Share capital		444,526	–	444,526
Contributed surplus		7,676	–	7,676
Accumulated other comprehensive income	a	–	6,360	6,360
Deficit	d	(21,969)	(4,019)	(25,988)
		430,233	2,341	432,574
Non-controlling interests	e	–	3,135	3,135
		430,233	5,476	435,709
		505,380	7,350	512,730

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

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

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement of operations and comprehensive income for the three-month period ended June 30, 2010 have been reconciled to IFRS consolidated statement of income and comprehensive statement of income as follows:

	Ref	Three-month period ended June 30, 2010		
		Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Revenue – Gold sales		87,085	–	87,085
			–	
Cost of operations				
Mining operation expenses	f	33,671	–	33,671
Depreciation of property, plant and equipment		11,311	–	11,311
General and administrative	g	4,712	–	4,712
Stock-based compensation		826	–	826
Operating income		36,565	–	36,565
Other expenses (income)				
Finance income	h	(27)	–	(27)
Finance costs	i	1,111	44	1,155
Foreign exchange gain		(781)	–	(781)
Income before incomes taxes		36,262	44	36,218
Income tax expense (recovery)				
Current		6,393	–	6,393
Deferred	j	(3,762)	2,883	(879)
		2,631	2,883	5,514
Net income and comprehensive income for the period	k	33,631	2,927	30,704
Attributable to:				
Equity shareholders of the Corporation	k + e	33,631	(3,715)	29,916
Non-controlling interests	e	–	788	788

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

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

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement of operations and comprehensive income for the six-month period ended June 30, 2010 have been reconciled to IFRS consolidated statement of income and comprehensive statement of income as follows:

		Six-month period ended June 30, 2010		
	Ref	Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Revenue – Gold sales		150,660	–	150,660
			–	
Cost of operations				
Mining operation expenses	f	63,320	–	63,320
Depreciation of property, plant and equipment		22,627	–	22,627
General and administrative	g	8,008	–	8,008
Stock-based compensation		2,069	–	2,069
Operating income		54,636	–	54,636
Other expenses (income)				
Finance income	h	(50)	–	(50)
Finance costs	i	2,124	87	2,211
Foreign exchange gain		(812)	–	(812)
Income before incomes taxes		53,374	87	53,287
Income tax expense (recovery)				
Current		9,891	–	9,891
Deferred	j	(3,953)	4,682	729
		5,938	4,682	10,620
Net income and comprehensive income for the period	k	47,436	4,769	42,667
Attributable to:				
Equity shareholders of the Corporation	k + e	47,436	(5,726)	41,710
Non-controlling interests	e	–	957	957

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

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

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement cash flows for the three-month period ended June 30, 2010 has been reconciled to the consolidated statement of cash flows under IFRS as follows:

Cash flows from (used in):		Three-month period ended June 30, 2010		
Operating activities	**Ref**	**Cdn GAAP basis[1]**	**Effect of transition to IFRS**	**IFRS basis**
Net income for the period	**k**	33,631	(2,927)	30,704
Adjustment for :				
Depreciation of property, plant and equipment		11,311	–	11,311
Stock-based compensation		826	–	826
Non-cash net finance costs	**i**	299	44	343
Unrealized foreign exchange gain		(991)	–	(991)
Deferred income taxes (recovery) expense	**j**	(3,762)	2,883	(879)
		41,314	–	41,314
Changes in non-cash working capital items		(120)	–	(120)
		41,194	–	41,194
Financing activities				
Reimbursement of long-term debt		(5,153)	–	(5,153)
Proceeds on issuance of share capital		113,816	–	113,816
Share issue expenses		(6,311)	–	(6,311)
		102,352	–	102,352
Investing activities				
Additions to property, plant and equipment		(26,635)	–	(26,635)
Increase in restricted cash		–	–	–
		(26,635)	–	(26,635)
Effect of exchange rate changes on cash and cash equivalents		896	–	896
Change in cash and cash equivalents during the period		117,807	–	117,807
Cash and cash equivalents – beginning of period		61,160	–	61,160
Cash and cash equivalents – end of period		178,967	–	178,967
Interest paid		563	–	563
Interest received		27	–	27
Income tax paid		5,343	–	5,343

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

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

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement cash flows for the six-month period ended June 30, 2010 has been reconciled to the consolidated statement of cash flows under IFRS as follows:

Cash flows from (used in):		Six-month period ended June 30, 2010		
Operating activities	**Ref**	**Cdn GAAP basis[1]**	**Effect of transition to IFRS**	**IFRS basis**
Net income for the period	k	47,436	(4,769)	42,667
Adjustment for :				
Depreciation of property, plant and equipment		22,627	–	22,627
Stock-based compensation		2,069	–	2,069
Non-cash net finance costs	i	654	87	741
Unrealized foreign exchange gain		(2,253)	–	(2,253)
Deferred income taxes (recovery) expense	j	(3,953)	4,682	729
		66,580	–	66,580
Changes in non-cash working capital items		(6,071)	–	(6,071)
		60,509	–	60,509
Financing activities				
Reimbursement of long-term debt		(10,321)	–	(10,321)
Proceeds on issuance of share capital		114,376	–	114,376
Share issue expenses		(6,311)	–	(6,311)
		97,744	–	97,744
Investing activities			–	
Additions to property, plant and equipment		(43,854)	–	(43,854)
Increase in restricted cash		–	–	–
		(43,854)	–	(43,854)
Effect of exchange rate changes on cash and cash equivalents		2,087	–	2,087
Change in cash and cash equivalents during the period		116,486	–	116,486
Cash and cash equivalents – beginning of period		62,481	–	62,481
Cash and cash equivalents – end of period		178,967	–	178,967
Interest paid		1,220	–	1,220
Interest received		50	–	50
Income tax paid		5,343	–	5,343

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

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

21. Transition to IFRS (continued)

The Canadian GAAP consolidated balance sheet as at December 31, 2010 has been reconciled to the consolidated statement of financial position under IFRS as follows:

	Ref	December 31, 2010		
		Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
ASSETS				
Current assets				
Cash and cash equivalents		220,439	–	220,439
Restricted cash		3,750	–	3,750
Trade and other receivables		6,021	–	6,021
Inventories		68,952	–	68,952
Other current assets		5,238	–	5,238
		304,400	–	304,400
Non-current assets				
Restricted cash		657	–	657
Property, plant and equipment		257,413	–	257,413
Investment and other non-current assets	a	19,600	9,800	29,400
		277,670	9,800	287,470
		582,070	9,800	591,870
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities		36,789	–	36,789
Income tax payable		21,231	–	21,231
Current portion of long-term debt		14,824	–	14,824
		72,844	–	72,844
Non-current liabilities				
Advances payable	b	3,007	(1,096)	1,911
Provision		7,008	–	7,008
Deferred income tax liabilities	c	3,023	294	3,317
		85,882	(802)	85,080
EQUITY				
Equity shareholders of the Corporation				
Share capital		452,542	–	452,542
Contributed surplus		8,053	–	8,053
Accumulated other comprehensive income	a	–	8,480	8,480
Retained earnings	d	33,841	(1,080)	32,761
		494,436	7,400	501,836
Non-controlling interests	e	1,752	3,202	4,954
		496,188	10,602	506,790
		582,070	9,800	591,870

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

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

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement of operations and consolidated statement of comprehensive income for the year ended December 31, 2010 have been reconciled to IFRS the consolidated statement of income and comprehensive income as follows:

	Ref	For the year ended December 31, 2010		
		Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Consolidated statement of income				
Revenue – Gold sales		323,275	–	323,275
Costs of operations				
Mining operation expenses	f	134,856	–	134,856
Depreciation of property, plant and equipment		41,931	–	41,931
General and administrative	g	18,213	–	18,213
Stock-based compensation		3,525	–	3,525
Operating income		124,750	–	124,750
Other expenses (income)				
Finance income	h	(136)	–	(136)
Finance costs	i	3,607	174	3,781
Foreign exchange gain		(3,923)	–	(3,923)
Income before incomes taxes		**125,202**	**174**	**125,028**
Income tax expense (recovery)				
Current		23,776	–	23,776
Deferred	j	(3,572)	1,589	(1,983)
		20,204	1,589	21,793
Net income for the period	k	**104,998**	**(1,763)**	**103,235**
Attributable to:				
Equity shareholders of the Corporation	k + e	103,246	(2,787)	100,459
Non-controlling interests	e	1,752	1,024	2,776
Consolidated statement of comprehensive income				
Net income for the period	k	**104,998**	**(1,763)**	**103,235**
Other comprehensive income				
Change in fair value of available-for-sale financial assets (net of tax)	l	–	2,120	2,120
Other comprehensive income for the period, net of tax		–	2,120	2,120
Comprehensive income for the period	k + l	**104,998**	**357**	**105,355**
Attributable to:				
Equity shareholders of the Corporation		103,246	(667)	102,579
Non-controlling interests	e	1,752	1,024	2,776

[1] Certain Canadian GAAP figures have been reclassified to conform to our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

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

21. Transition to IFRS (continued)

Presented below is the list of all references above in tables indicating IFRS transition impacts and explanation on the changes at transition date, as at June 30, 2010 and for the six-month period then ended June 30, 2010, and as at December 31, 2010 and for the year then ended.

IFRS adjustments to the consolidated statement of financial position

a) Investments and other non-current assets

(thousands of $)	As at January 1, 2010	As at June 30, 2010	As at December 31, 2010
Fair value of derivatives financial instruments	143	44	–
Investment in GoviEx, at cost	19,600	19,600	19,600
Canadian GAAP, as reported	19,743	19,644	19,600
Impact of measuring the investment in GoviEx at fair value	7,350	7,350	9,800
Fair value of derivatives financial instruments	143	44	–
Investment in GoviEx, at cost	26,950	26,950	29,400
IFRS basis	27,093	26,994	29,400

Accumulated other comprehensive income

(thousands of $)	As at January 1, 2010	As at June 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	–	–	–
Impact of measuring the investment in GoviEx at fair value (net of tax)	6,360	6,360	8,480
IFRS basis	6,360	6,360	8,480

Under IFRS, the non-quoted equity investment in GoviEx Uranium Inc. ("GoviEx") is a financial instrument classified as an available-for-sale financial asset, which must be measured at fair value. The Corporation estimates the fair value of the investment in GoviEx using the most recent available information on this private equity investment. Accordingly, this investment is classified as a level 3 financial instrument according to our fair value hierarchy as it is not based on observable market data. Should the most recent available information not be deemed appropriate to adequately determine the fair value of the investment in GoviEx, management determines the fair value of this investment through the application of a market approach utilizing the average variation of the share price calculated from guideline public companies or stock market index for a given period. Consequently, the Corporation is exposed to equity price risk because of its investment held and classified on the consolidated statement of financial position as available-for-sale. Equity price risk is the risk that the fair value of a financial instrument varies due to equity market changes. A variation of ± 10 % of the non-quoted equity investment in GoviEx as December 31, 2010, would result in an estimated effect in the consolidated statement of comprehensive income of $2,500,000 (net of tax) for the year ended December 31, 2010. Based on our estimates determined using the market approach valuation technique, the investment is recorded at its fair value of $26,950,000 in our opening consolidated statement of financial position. The $7,350,000 latent gain on the increase in the value of this investment is recorded as part of other comprehensive income, net of deferred income taxes of $990,000 (see note d), for a total of $6,360,000. During the third quarter of 2010, the fair value of the investment increased by $2,450,000 (excluding tax impact of $330,000) to $29,400,000 and the $9,800,000 cumulative latent gain on the increase in the value of this investment was recorded as part of other comprehensive income, net of cumulative deferred income taxes of $1,320,000 (see note d), for a total of $8,480,000.

b) Advance payable

(thousands of $)	As at January 1, 2010	As at June 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	3,007	3,007	3,007
Impact of measuring the advance at its amortized cost[1]	(1,270)	(1,270)	(1,270)
Accretion expense for Advance payable to the Republic of Niger	–	87	174
IFRS basis	1,737	1,824	1,911

[1] Under IFRS, the advance from the Republic of Niger has to be measured at its amortized cost using the original effective interest rate method. The amortized cost calculated under IFRS amounted to $1,737,000 in our opening consolidated statement of financial position, resulting in a $1,270,000 (see note d) increase in opening shareholders' equity and corresponding decrease in liability.

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

21. Transition to IFRS (continued)

c) Deferred income tax liabilities

(thousands of $)	As at January 1, 2010	As at June 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	7,110	3,157	3,023
Recognition of exchange gain on foreign non-monetary assets	(1,625)	3,057	294
IFRS basis	5,485	6,214	3,317

Upon application of IFRS standards, a deferred tax liability (asset) must be recognized for exchange gains and losses relating to foreign non-monetary assets and liabilities that are re-measured into the functional currency using historical exchange rates. This GAAP difference resulted into a reduction of $1,625,000 in deferred tax liability and an adjustment to opening deficit at transition date. We also recorded an increase in deferred tax liabilities of $2,883,000 for the second quarter of 2010 ($4,682,000 for the six-month period ended June 30, 2010), a decrease of $3,296,000 during the third quarter of 2010 and an increase of $533,000 during the last quarter of 2010 for a total net increase of $1,919,000 at the end of the year ended on December 31, 2010 as a result of the foreign exchange rate effective at the end of these periods.

d) Retained earnings (Deficit)

(thousands of $)	As at January 1, 2010	As at June 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	(63,094)	(21,969)	33,841
Impact of measuring the investment in GoviEx at fair value (note a)	990	990	1,320
Impact of measuring the advance at its amortized cost (note b)	1,270	1,270	1,270
Recognition of exchange gain on foreign non-monetary assets (note c)	1,625	(3,057)	(294)
Attribution of non-controlling interests (note e)	–	(3,135)	(3,202)
Accretion expense for the advance payable to the Republic of Niger (note b)	–	(87)	(174)
IFRS basis	(59,209)	(25,988)	32,761
Total variation	3,885	(4,019)	(1,080)

e) Non-Controlling interest

(thousands of $)	Mana, Burkina Faso	SML, Niger	Kiniero, Guinea	TOTAL
As at January 1, 2010	–	–	–	–
Share of net income (loss)	–	680	(511)	169
Share of transactions in subsidiaries' equity	–	1,792	386	2,178
As at March 31, 2010	–	2,472	(125)	**2,347**
Share of net income (loss)	–	1,183	(395)	788
As at June 30, 2010	–	3,655	(520)	**3,135**
Share of net income (loss)	1,752	52	15	1,819
As at December 31, 2010	1,752	3,707	(505)	**4,954**

Under IFRS, the amended IAS 27 requires that total comprehensive income be attributed to the equity shareholders of the Corporation and to the non-controlling interests ("NCIs"), even if this results in the NCIs having a deficit balance to equity. The standard also prevents the reallocation of previous losses to NCI, if these losses were previously attributed to the equity of the shareholders of the Corporation. The standard requires prospective application of the amendment from the date of transition, which is January 1, 2010 for SEMAFO. Accordingly, despite the fact that the subsidiaries located in Niger and Guinea have negative equity, and that the NCIs are not entitled to any earnings until the equity becomes positive, NCIs had to be recorded starting January 1, 2010. Under IFRS, the NCIs' share of the net assets of subsidiaries is included in equity and their share of the comprehensive income of subsidiaries is allocated directly to equity. Under Canadian GAAP, NCIs were presented as a separate item between liabilities and equity in the consolidated statement of financial position and the NCIs' share of income and comprehensive income were deducted in calculating net income and comprehensive income of the entity. Accordingly, NCIs have been reclassified to equity.

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

21. Transition to IFRS (continued)

IFRS adjustments to the consolidated income statement

f) Mining operation expenses

(thousands of $)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	30,411	57,526	122,144
Reclassification of government royalties	3,260	5,794	12,712
Canadian GAAP, as adjusted for IFRS format	33,671	63,320	134,856

Under IFRS, Government royalties are presented as part of "Mining operation expenses".

g) General and administrative

(thousands of $)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	4,460	7,429	17,145
Charitable donations - *Fondation SEMAFO*	252	579	1,068
Canadian GAAP, as adjusted for IFRS format	4,712	8,008	18,213

Under IFRS, charitable donations are presented as part of "General and administrative expenses".

h) Finance income

(thousands of $)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	Nil	Nil	Nil
Interest, banking fees and other income (gross)	(27)	(50)	(136)
Canadian GAAP, as adjusted for IFRS format	(27)	(50)	(136)

Under IFRS, "Finance income" and "Finance costs" are presented separately on a gross basis.

i) Finance costs

(thousands of $)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	Nil	Nil	Nil
Interest on long term debt	694	1,539	2,728
Interest, banking fees and other income (gross)[1]	250	250	264
Accretion expense of asset retirement obligation[2]	117	235	470
Change in the fair value of derivative financial instruments[2]	50	100	145
Canadian GAAP, as adjusted for IFRS format	1,111	2,124	3,607
Accretion expense for the Advance payable to the Republic of Niger[3]	44	87	174
IFRS basis	1,155	2,211	3,781

[1] Under IFRS, "Finance income" and "Finance costs" are presented separately on a gross basis.

[2] For IFRS purposes, accretion expenses and change in fair value of derivative financial instruments are combined to interest expense and are presented as "Finance costs".

[3] Consult reference b) for explanations on the accretion expense for the advance payable to Republic of Niger

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

21. Transition to IFRS (continued)

j) Deferred tax expense (recovery)

(thousands of $)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	(3,762)	(3,953)	(3,572)
Recognition of exchange gain on foreign non-monetary assets (note c)	2,883	4,682	1,919
Deferred income tax recovery on latent gain of GoviEx (note a)	–	–	(330)
IFRS basis	(879)	729	(1,983)

k) Net income for the period

(thousands of $)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	33,631	47,436	103,246
Non-controlling interests (note e)	–	–	1,752
Canadian GAAP, as adjusted under IFRS format	33,631	47,436	104,998
Recognition of exchange gain on foreign non-monetary assets (note c)	(2,883)	(4,682)	(1,919)
Deferred income tax recovery on latent gain of GoviEx (note a)	–	–	330
Accretion expense for the Advance payable to the Republic of Niger (note i)	(44)	(87)	(174)
IFRS basis	30,704	42,667	103,235
Total variation	(2,927)	(4,769)	(1,763)

l) Other comprehensive income

(thousands of $)	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	–	–	–
Impact of measuring the investment in GoviEx at fair value (net of tax) (note a)	–	–	2,120
IFRS basis	–	–	2,120

22. Comparative figures

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

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