BUILDING SUSTAINABLE VALUE

FIRST QUARTER
For the period ended
March 31, 2012

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 area 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 March 31, 2012 compared to the corresponding period last year. This MD&A, prepared as of May 14, 2012, is intended to complement and supplement our Condensed Interim Consolidated Financial Statements (unaudited) (the "financial statements") as at March 31, 2012. Our financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing our results of operation and our financial performance.

Our financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). All dollar amounts contained in this MD&A are expressed in US dollars, unless otherwise specified.

This MD&A contains forward-looking statements. Particular attention should be given to the risk factors described in the "Risks and Uncertainties" section of this document.

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

1. Financial and Operating Highlights

	Three-month period ended March 31,		
	2012	2011	2010
Gold ounces produced	**60,900**	60,000	65,800
Gold ounces sold	**58,700**	56,700	57,200
(in thousands of dollars, except amounts per ounce, per tonne and per share)			
Revenues – Gold sales	**100,401**	79,367	63,575
Operating income	**38,173**	25,370	18,071
Net income	**31,471**	20,392	11,963
Attributable to:			
Equity shareholders of the Corporation	**28,122**	18,169	11,794
Non-controlling interests	**3,349**	2,223	169
Basic net income per share	**0.10**	0.07	0.05
Diluted net income per share	**0.10**	0.07	0.05
Cash flow from operating activities[1]	**40,196**	31,220	26,925
Operating cash flow per share[2]	**0.15**	0.11	0.11
Average realized selling price (per ounce)	**1,710**	1,400	1,111
Cash operating cost (per ounce produced)[3]	**619**	579	455
Cash operating cost (per tonne processed)[3]	**35**	34	32
Total cash cost (per ounce sold)[4]	**708**	654	518
Total cash margin (per ounce sold)[5]	**1,002**	746	593

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

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

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

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

5 Total cash margin is a non-IFRS 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[1]

This year marks SEMAFO's tenth year as a gold producer and during the first quarter of 2012, we achieved an important milestone. During the three-month period ended March 31, 2012, we produced 60,900 ounces of gold, bringing SEMAFO's all-time total gold production to more than 1.5 million ounces. We are proud of this achievement and recognize that it is yet another testament to the commitment and invaluable contribution of SEMAFO's exceptional team and the support of our countries.

During the first quarter we delivered excellent financial results, increasing revenues by 27% year over year to more than $100 million. Our operating income rose by 50%, while our net income increased by 54% compared to the first quarter of 2011. The Corporation's total cash margin for the quarter was $1,002 per ounce, a 34% increase year over year.

In view of our strong financial results, SEMAFO's Board of Directors has declared a second dividend of C$0.02 per share. The dividend will be payable on July 16, 2012 to shareholders of record as of the close of business on June 30, 2012.

With regard to the Wona Deep development project, the 2011 drill results received to date combined with prior findings lead us to believe that there is potential to significantly expand the Wona/Kona open pit. This would involve converting a considerable part of reserves and resources from underground to open pit, while maintaining the potential for an eventual underground operation. If confirmed, this approach would result in a reduction in capital expenditures and an improvement in the overall economics of the project. This would also enable us to maximize the open pit mining method at Mana, draw on our experienced National workforce and provide more operational flexibility.

Our operations team is studying the dynamics of this important project and we expect the results of this review to be communicated with the reserves and resources update expected in June 2012. Accordingly, in recent days, the Corporation has temporarily slowed the pace of underground-related expenditures pending the June 2012 update.

SEMAFO has consistently delivered strong results quarter after quarter, making our Corporation profitable, financially stable and resilient. The fundamentals of our organization are stronger than ever. We are extremely proud of our results and remain dedicated to managing our organization in a disciplined, vigilant and ethical manner.

We also recognize that the market price of gold is the most significant driver of our Corporation's profitability. In the last five years, the price of gold rose by 152%, from $663 per ounce in March 2007 to $1,669 per ounce as at March 31, 2012. During the same period, our average realized selling price went from $661 per ounce to $1,710 per ounce, an increase of 159%, while our cash cost per tonne processed rose by $12 or 52%. Accordingly, our total cash margin per ounce escalated 454%, from $181 in the first quarter of 2007 to $1,002 in 2012.

Many market specialists, analysts and investors, are of the opinion that in today's global economy, key currencies will continue to face strong pressures. Henceforth, a lack in confidence in key currencies may be reflected in an upsurge in the price of gold. As a fully funded and unhedged gold producer, we believe that we are well positioned to take advantage of rising gold prices.

On March 30, 2007, SEMAFO's shares were trading at $1.85. Since then, our shares have experienced significant market price and volume fluctuations. It is important to note that regardless of our impressive track record, enviable balance sheet and exceptional team, our stock price has been disconcerting of late. As we have no direct influence over the stock markets and their reaction to external factors, we are nevertheless firmly committed to maintaining our value creation initiatives at the forefront of our activities.

I am confident that will continue to deliver on our promises. Moving forward, we remain committed to maintaining SEMAFO's enviable reputation of superior financial and operational results as part of our quest to build sustainable value for all stakeholders.

Benoit La Salle, FCA

President and Chief Executive Officer

[1] Certain statements in *A Word from the CEO* are forward-looking. For more information on forward-looking statements, see note 22.

FIRST QUARTER 2012 HIGHLIGHTS

- Gold production of 60,900 ounces, an increase of 2% compared to the same period in 2011
- Gold sales of $100.4 million, a 27% increase compared to the same period in 2011
- Operating income of $38.2 million, an increase of 50% compared to the same period in 2011
- Net income of $31.5 million, an increase of 54% compared to the same period in 2011
- Net income attributable to equity shareholders of the Corporation of $28.1 million or $0.10 per share compared to $18.2 million or $0.07 per share for the same period in 2011
- Cash flow from operating activities[1] of $40.2 million or $0.15 per share
- Start-up of on-site exploration laboratory at Mana
- Identification of six important gold anomalous trends at Mana
- Declaration of a second dividend of C$0.02 per share

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

2012 Objectives[1]

Maximize Value

- Continue exploration programs directed at growing reserves and resources with an initial global exploration budget of $45 million, of which $36 million is allocated to Mana
- Continue development of Wona Deep underground mining project

Disciplined Growth

- Achieve production of between 235,000 and 260,000 ounces of gold
- 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, contributing up to 2% of net income to *Fondation SEMAFO*
- Increase sustainable development programs in host countries
- Continue human resources initiatives in the areas of health and safety, and employee training and development

[1] These statements are forward-looking. For more information on forward-looking statements, see note 22.

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 and is impacted by various industries and macroeconomic factors that are beyond our control, such as currency exchange rate fluctuations, the relative strength of the US dollar, inflation expectations and increased demand for gold as an investment asset.

The current global economic crisis impairs confidence in currencies, emphasizing gold as an alternative safe-haven asset for investors and placing upward pressure on the price of gold. The limited choice in alternative safe-haven investments and the strength of physical demand are significant drivers of the overall gold market. As a result, the price of gold year over year continued to increase in the first quarter of 2012.

During the first quarter of 2012, the price of gold, based on the London Gold Fix PM, experienced continued volatility and fluctuated from $1,598 to a high of $1,781 per ounce. The average market gold price for the first quarter of 2012 was $1,691 per ounce, representing an increase of $305 or 22% compared to $1,386 per ounce in the first quarter of 2011.

In the first quarter of 2012, our average realized selling price was $1,710 per ounce compared to the average London Gold Fix of $1,691 per ounce.

(in dollars per ounce)	2012 Q1	2011 Q1
Average London Gold Fix	1,691	1,386
Average realized selling price	1,710	1,400

2. Key Economic Trends (continued)

Cost Pressures

We have been affected by industry-wide pressures on development and operating costs. Since our mining activities are fuel intensive, a change in fuel price can have a significant impact on our operations and associated financial results. Our three sites have experienced ongoing fuel cost increases in the first quarter of 2012 compared to the first quarter of 2011. As a benchmark for fuel costs, the Brent Crude price averaged $118 per barrel in the first quarter of 2012 compared to $105 per barrel in the first quarter of 2011, representing a significant 12% increase.

Foreign Currencies

Our mining operations and exploration activities are carried out in West Africa. Accordingly, portions of our operating costs and capital expenditures are denominated in foreign currencies, in particular the Euro.

According to accepted economic research, in the last quarter of 2011, a profound loss of confidence in the Euro resulted in the currency bottoming out against the US dollar. This loss reflected the deterioration of Europe's global economic standing as a result of the continent's debt crisis. In the first three months of the 2012, the Euro has recovered and gained strength against the US dollar following the approval of Greek aid and the policy accommodation from the European Central Bank.

Although the Euro recovered slightly in the first quarter of 2012, the US dollar relative to the Euro was stronger when compared to the same period in 2011. As a result, the foreign exchange fluctuation positively impacted our cash operating cost.

3. Exploration Programs

Burkina Faso

SEMAFO has established an initial exploration budget of $45 million of which 80%, or $36 million, has been allocated to Mana. The 2012 exploration program at Mana is expected to include 51,000 meters of core, 293,000 meters of reverse-circulation/air core ("RC/AC"), and 79,000 meters of auger drilling. We expect to increase the amount of exploration drilling on targets located north of the Wona deposit, principally on the Bombouela, Kona Blé, Bombouela North, and Bara permits. Delineation drilling at Wona, Kona, Fobiri and Yaho will continue in 2012, however almost 60% of planned activities will be devoted to other potential targets including yet-to-be-tested auger geochemical anomalies identified in 2010 and 2011. Drilling will also be carried out on the Massala and Saoura permits to the north.

Operations began at our on-site exploration laboratory at the Mana Mine. This new assay laboratory has a current processing capacity of between 500 and 600 samples per day.

Mana's preparation laboratory is housed in a newly constructed building, completely separate from the production test area. In addition to utilizing a Quality Assurance/Quality Control ("QA/QC") system in the laboratory, SEMAFO's exploration group adheres to stringent QA/QC protocols during the sample collection process that includes insertion and verification of standards, blanks and duplicates consistent with industry standards.

Furthermore, ALS Minerals Division of Ouagadougou, Burkina Faso recently established an independent on-site preparation facility at Mana. This ''prep lab'' is designed to crush and pulverize up to 500 pulp samples per day and will also play an important part in significantly accelerating the overall assay turnaround time.

We are determined to make every possible effort to reduce the turnaround time for assay results. The establishment of our new on-site laboratory as well as the ASL Minerals Division preparation facility will be instrumental to achieving this goal.

In consideration of the 2012 exploration program at Mana, we have launched another expansion of the exploration preparation laboratory to increase the processing capacity to up to 900 samples per day. The budget for this expansion is approximately $150,000.

An updated compilation of Mana's ongoing auger drilling program identified six important gold anomalous trends on the property (reference: Figure 1), some of which are scheduled for drilling in 2012. These new trends were identified using an aggressive auger drilling program initiated in February 2010 over select geologically favourable areas, based on a property-wide geophysical survey. Since then, a total of 30,459 holes were completed, covering approximately 25% of the surface area of the property. The program is ongoing with many high potential areas to be investigated in 2012 and thereafter.

The South Trends Complex is characterized by a series of gold trends throughout a large area. Of these, the Fofina, Yaho, Maoula and Fobiri zones all demonstrate clear auger anomalies associated with the mineralization. In fact RC, AC and core drilling were carried out on the three zones discovered in 2010 and early 2011 (Fofina, Fobiri, and Yaho) in follow-up to an auger drilling program.

The Bombouela Trend is located north of the Wona Deposit and extends from the Kona Zone in the south to the northern limit of the Bombouela North permit. The Bombouela Trend measures more than 25 kilometers in length and typically contains areas with higher grade values along its strike. The trend appears to split into two separate trends, of which the west branch is interpreted to continue onto the newly acquired Kona II permit based on previous reports on this property (data not yet included in the compilation).

Two similar parallel trends are also observed to the east of the Bombouela Trend, namely the Kienséré and Oula Trends, where geological mapping is currently underway.

The Massala Trend is located on strike and to the north of known artisanal mining sites. This trend measures approximately 15 kilometers long and closely follows the geophysical anomalies observed in the area. It is also noted that the higher auger sample grades obtained within this trend were recovered in the ten northern kilometers where work has yet to be conducted.

A sixth trend is also developing on the southeastern area of the property. The Kokoi Trend remains open and further auger drilling to the north is scheduled to better define its extensions.

The high background level of gold generally obtained within the area is coincident with the higher grade mineralization typically observed in the South Trends Complex. Additionally, the complexity of the anomalous trends is interpreted to be the result of the style of mineralization present, such as anastomosing and converging shear zones. The anomalies identified by the ongoing auger drilling program continue to demonstrate the exceptional potential of the Mana property. In two years, we have identified and delineated three deposits stemming from auger anomalies and we are confident that pending results and future drilling will expand this list.

3. Exploration Programs (continued)

Burkina Faso (continued)

In addition to the two core rigs drilling at Wona and Kona, four RC, one AC, and two auger rigs were on site during the first quarter, with another RC rig expected to arrive in the second quarter 2012. Auger drilling is a cost-effective geochemical sampling method that consists of drilling vertical holes down to the in-situ saprolite horizon along a predetermined grid. A sample is taken from both the laterite/saprolite interface and within the saprolite. The sample is then sent for gold assaying using the bottle-roll method, which can detect very small gold contents from larger size samples. Considering that the geochemical anomaly associated with the Wona Deposit was below 75 ppb gold, low level gold detection limits are paramount to ensure the formulation of a reliable dataset. Sample preparation and gold assaying were carried out by BLEG method at ALS Minerals Division in Ouagadougou, Burkina Faso.

Niger

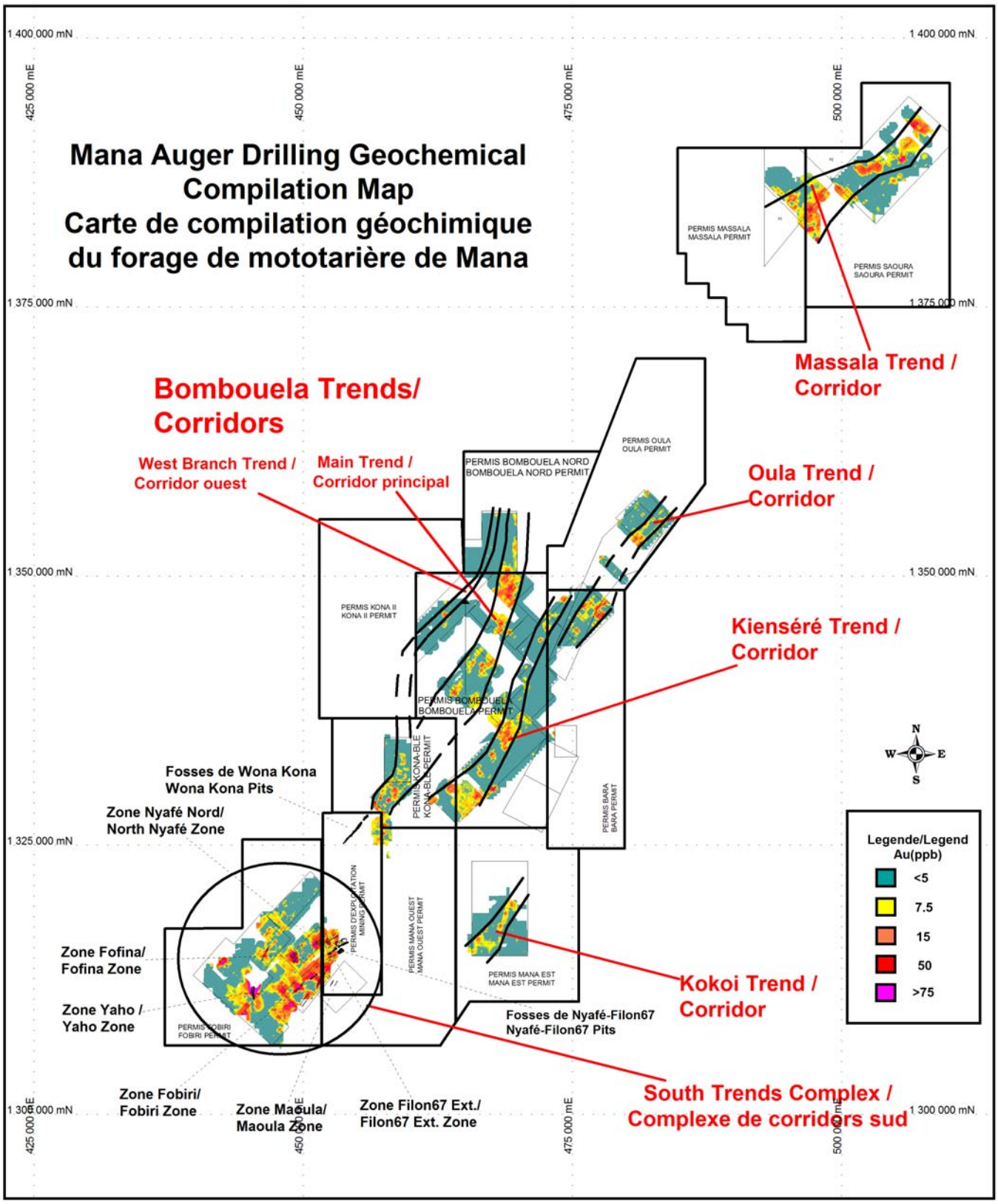
For 2012, an initial exploration budget of $6 million has been established, mainly to find new sources of oxide ore. Some in-fill drilling was completed over Libiri NW, Libiri SE and BJ North, some drilling was also done seeking new zones such as BJ Est, Gisement Bouli, Gare Garé, Tondé Bobangou among others.

Guinea

A 2012 initial exploration budget of $2.5 million has been established and is mainly aimed at carrying on the investigation of SGA for large tonnage, low grade, carrying out some exploration work in the Ouest Balan area. These programs were ongoing during the first quarter. Development drilling, similar to what we recently completed on SGA, may be carried out later in the year over the Jean-Est and Jean-Ouest.

3. Exploration Programs (continued)

Figure 1



4. Consolidated Results and Mining Operations

	Three-month period ended March 31,		
	2012	2011	Variation
Operating Highlights			
Gold ounces produced	**60,900**	60,000	2%
Gold ounces sold	**58,700**	56,700	4%
(in thousands of dollars, except amounts per ounce, per tonne and per share)			
Revenues – Gold sales	**100,401**	79,367	27%
Mining operation expenses (excluding government royalties)	**37,242**	33,579	11%
Government royalties	**5,077**	3,500	45%
Operating income	**38,173**	25,370	50%
Income tax expense	**6,189**	4,116	50%
Net income	**31,471**	20,392	54%
Attributable to:			
Equity shareholders of the Corporation	**28,122**	18,169	55%
Non-controlling interests	**3,349**	2,223	51%
Cash flow from operating activities[1]	**40,196**	31,220	29%
Basic net income per share	**0.10**	0.07	43%
Diluted net income per share	**0.10**	0.07	43%
Operating cash flow per share[2]	**0.15**	0.11	36%
Average realized selling price (per ounce)	**1,710**	1,400	22%
Cash operating cost (per ounce produced)[3]	**619**	579	7%
Cash operating cost (per tonne processed)[3]	**35**	34	3%
Total cash cost (per ounce sold)[4]	**708**	654	8%
Total cash margin (per ounce sold)[5]	**1,002**	746	34%

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

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

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

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

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

First Quarter 2012 v. First Quarter 2011

- For the three-month period ended March 31, 2012, our gold sales increased by 27% to $100,401,000 compared to $79,367,000 for the same period in 2011. The improvement is due to a higher average realized selling price, which remained superior to the average London Gold Fix.

(in dollars per ounce)	2012 Q1	2011 Q1
Average London Gold Fix	1,691	1,386
Average realized selling price	1,710	1,400

- Increased mining operation expenses in the first quarter of 2012 reflect more ounces sold, as well as an increase in the cost per tonne as explained in the Mining Operations section.
- Higher royalties in the first quarter of 2012 compared to the same period in 2011 were the result of the increase in the average realized selling price, combined with an adjustment in the first quarter of 2011 to reflect the new graduated royalty rates schedule in Burkina Faso in effect as at January 1, 2011.

4. Consolidated Results and Mining Operations (continued)

- Our operating income totalled $38,173,000 in the first quarter of 2012 compared to $25,370,000 for the same period in 2011 mainly owing to a higher total cash margin per ounce sold.
- The higher income tax expense is due in large part to increased taxable income for our subsidiary located in Burkina Faso, compensated by an income tax recovery reflecting the impact of foreign exchange movements on our foreign non-monetary assets that must be recognized.
- Our 2012 first quarter net income increased by 54% to $31,471,000 mainly due to increased operating income.

5. Operating Income by Segment

(in thousands of dollars)	Three-month period ended March 31, 2012	2011	Variation
Mana Mine, Burkina Faso	**40,162**	30,477	32%
Samira Hill Mine, Niger	**5,318**	2,310	130%
Kiniero Mine, Guinea	**(1,186)**	(377)	215%
Corporate and others	**(6,121)**	(7,040)	(13%)
	38,173	25,370	50%

5. Operating Income by Segment (continued)

Mining Operations

Mana, Burkina Faso

	Three-month period ended March 31,		
	2012	2011	Variation
Operating Data			
Ore mined (tonnes)	**781,400**	540,600	45%
Ore processed (tonnes)	**626,800**	584,800	7%
Head grade (g/t)	**2.53**	2.68	(6%)
Recovery (%)	**87**	90	(3%)
Gold ounces produced	**48,000**	45,200	6%
Gold ounces sold	**46,300**	42,400	9%
Financial Data (in thousands of dollars)			
Revenues – Gold sales	**79,233**	59,302	34%
Mining operation expenses (excluding government royalties)	**26,201**	20,383	29%
Government royalties	**3,888**	2,394	62%
Depreciation of property, plant and equipment	**8,007**	5,380	49%
General and administrative	**726**	462	57%
Corporate social responsibility expenses[1]	**249**	206	21%
Segment operating income	**40,162**	30,477	32%
Statistics (in dollars)			
Average realized selling price (per ounce)	**1,711**	1,399	22%
Cash operating cost (per ounce produced)[2]	**562**	475	18%
Cash operating cost (per tonne processed)[2]	**41**	37	11%
Total cash cost (per ounce sold)[3]	**650**	537	21%
Depreciation (per ounce sold)[4]	**173**	127	36%

1 Corporate social responsibility expenses exclude contributions and projects sponsored through *Fondation SEMAFO.*

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

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

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

First Quarter 2012 v. First Quarter 2011

- For the three-month period ended March 31, 2012, a total of 781,400 tonnes of ore and 4,827,000 tonnes of waste material were extracted from the Wona and Nyafé pits, resulting in a stripping ratio of 6.2:1. In addition, 880,600 tonnes of waste material were extracted from the Wona pit during the pre-stripping phase. This compares to 540,600 tonnes of ore and 3,405,200 tonnes of waste material extracted from the Wona and Nyafé pits for the same period in 2011, which resulted in a stripping ratio of 6.3:1. The increase in total material mined in the first three month of 2012 compared to the same period in 2011 was mainly due to additional mining equipment to accommodate plant expansion and stripping development.
- The 7% increase in ore processed was due to the processing of oxide ore sourced in greater proportion from the Wona pits in 2012.
- The decrease in head grade in 2012, compared to 2011, is a direct result of the incremental throughput of ore sourced in higher percentages from the Wona pit, which has lower grade ore than the Nyafé pit.
- Higher plant throughput, despite processing lower grade ore, contributed to a 6% increase in gold ounces produced.

5. Operating Income by Segment (continued)

Mining Operations (continued)

Mana, Burkina Faso (continued)

First Quarter 2012 v. First Quarter 2011 (continued)

- Our cash operating cost per tonne processed increased to $41 in the three-month period ended March 31, 2012 compared to $37 for the same period in 2011. This variation is mainly due to the increased cost of fuel and reagents, and the necessity for supplementary drilling and blasting in 2012. This increase combined with the processing of lower grade ore and a lower recovery rate resulted in a higher cash operating cost per ounce.
- In the first quarter of 2012, fuel-related costs increased to $1.36 per litre compared to $0.91 per litre in the first quarter of 2011, representing a 49% increase.

- Higher government royalties in the first three-month of 2012 compared to the same period in 2011 are the result of the increase in the average realized selling price, combined with an adjustment in the first quarter of 2011 to reflect the new graduated royalty rates schedule in effect as at January 1, 2011.

5. Operating Income by Segment (continued)

Mining Operations (continued)

Mana, Burkina Faso (continued)

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. Commissioning is scheduled to take place in the coming weeks.
- 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. Expenditures were made in accordance with the budget.
- Payback period is estimated at less than 16 months.

The primary modifications to the processing plant and status:

- Addition of a pebble crusher – installed
- Utilization of the third ball mill – currently undergoing mechanical modifications
- Addition of a large CIL tank – installed
- Addition of a thickener – postponed for further evaluation
- Additional gensets – installed and commissioned

New Production Facility

In September 2011, we announced plans to increase Mana's processing capacity by 6,000 tpd. A new facility that is aimed at increasing the overall processing capacity to 14,000 tpd could represent as much as an additional 120,000 gold ounces annually.

This new facility was put forward in consideration of the positive drill results received from the Fofina, Fobiri and Yaho zones earlier in 2011.

Evaluations of the new facility are pending receipt of updated reserves and resources estimates following the 2011 exploration program, in that they will impact the facility's optimal location and size.

Capital expenditures for this expansion were estimated at $100 to $125 million and are expected to be funded through SEMAFO's cash flow. The anticipated payback period is less than one year.

As part of this project, the Corporation has commenced procurement of additional mining equipment and construction of a pipeline to ensure adequate water supply at all times. Commissioning of the pipeline has been rescheduled to the third quarter of 2012 due to contractor delay.

5. Operating Income by Segment (continued)

Mining Operations (continued)

Mana, Burkina Faso (continued)

Wona Deep Development

The 2011 drill results received to date combined with prior findings lead us to believe that there is potential to significantly expand the Wona/Kona open pit. This would involve converting a considerable part of reserves and resources from underground to open pit, while maintaining the potential for an eventual underground operation. If confirmed, this approach would result in a reduction in capital expenditures and an improvement in the overall economics of the project. This would also enable us to maximize the open pit mining method at Mana, draw on our experienced National workforce and provide more operational flexibility.

Our operations team is studying the dynamics of this important project and we expect the results of this review to be communicated with the reserves and resources update expected in June 2012. Accordingly, in recent days, the Corporation has temporarily slowed the pace of underground-related expenditures pending the June 2012 update.

Surface drilling ongoing in the SW zone continues to demonstrate opportunities to further increase underground and/or open pit reserves and resources.

National Power Grid

In October 2011, we announced an agreement with National Electricity Company Sonabel for the construction of a 73-kilometer high-voltage transmission line to deliver power to our Mana Mine.

The 26-megawatt transmission line will be connected directly to the national power grid and should provide sufficient energy to power the mine.

Under this power delivery agreement and considering the economy at the time of signing, we would be paying $0.18 per kilowatt-hour. At signing based on fuel and consumables costs and compared to our cost of $0.31 per kilowatt-hour, this could represent potential savings of approximately $3 per tonne processed and up to $40 per ounce of gold produced.

The total cost of the project is estimated at $19 million for Sonabel. SEMAFO will advance $9.5 million to this project. This amount is reimbursable to SEMAFO by Sonabel over an eight-year period following commissioning, which is scheduled for the second half of 2013.

Sonabel is currently issuing requests for proposals. As of March 31, 2012, no amounts have been advanced to Sonabel with regard to this project.

5. Operating Income by Segment (continued)

Mining Operations (continued)

Samira Hill, Niger

	Three-month period ended March 31,		
	2012	2011	Variation
Operating Data			
Ore mined (tonnes)	**468,900**	176,100	166%
Ore processed (tonnes)	**422,600**	300,100	41%
Head grade (g/t)	**1.37**	1.34	2%
Recovery (%)	**70**	75	(7%)
Gold ounces produced	**12,900**	9,800	32%
Gold ounces sold	**12,400**	9,800	27%
Financial Data (in thousands of dollars)			
Revenues – Gold sales	**21,168**	13,828	53%
Mining operation expenses (excluding government royalties)	**10,266**	8,543	20%
Government royalties	**1,189**	764	56%
Depreciation of property, plant and equipment	**3,819**	1,686	127%
General and administrative	**527**	517	2%
Corporate social responsibility expenses[1]	**49**	8	513%
Segment operating income	**5,318**	2,310	130%
Statistics (in dollars)			
Average realized selling price (per ounce)	**1,707**	1,411	21%
Cash operating cost (per ounce produced)[2]	**831**	830	–
Cash operating cost (per tonne processed)[2]	**26**	25	4%
Total cash cost (per ounce sold)[3]	**924**	950	(3%)
Depreciation (per ounce sold)[4]	**308**	172	79%

1 Corporate social responsibility expenses exclude contributions and projects sponsored through *Fondation SEMAFO.*

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

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

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

First Quarter 2012 v. First Quarter 2011

- In the three-month period ended March 31, 2012, 468,900 tonnes of ore and 1,474,700 tonnes of waste material were extracted from the Libiri B, Libiri NW and Samira Main pits, resulting in a stripping ratio of 3.1:1. In addition, 1,192,300 tonnes of waste material were extracted from different pits during the pre-stripping phase. In the first three months of 2011, 176,100 tonnes of ore and 654,600 tonnes of waste material were extracted primarily from Libiri NW pit, for a stripping ratio of 3.7:1. In addition, 1,140,000 tonnes of waste material were extracted from the Samira Main and Libiri NW pits during the pre-stripping phase in the first quarter 2011. The increase in material mined is mainly due to higher productivity following the addition of our mining fleet in the second quarter of 2011.
- Throughput in the first quarter increased by 41% compared to the same period in 2011. This is mainly due to the processing of saprolite ore sourced from the Libiri B and Libiri NW pits as opposed to the processing of harder ore from stockpiles in 2011, combined with efficiency improvement at the plant during the last year.
- The recovery rate decreased from 75% in 2011 to 70% for the three-month period ended March 31, 2012, mainly as a result of the processing of ore from the Samira Main pit in March of 2012.

5. Operating Income by Segment (continued)

Mining Operations (continued)

Samira Hill, Niger (continued)

First Quarter 2012 v. First Quarter 2011 (continued)

- The increase in gold ounces produced in the first quarter of 2012 compared to the same period in 2011, is a direct result of higher throughput at the plant.
- The cash operating cost per tonne processed and per ounce produced during the quarter remained relatively stable in comparison to the first quarter of 2011. Higher consumables costs were compensated by lower energy costs, following improved power grid efficiency.
- The depreciation per ounce sold increased in the first quarter of 2012 compared to the same period in 2011. This is mainly due to the depreciation of Samira Main and Libiri NW pits' stripping costs where ore extraction has commenced, combined with the depreciation of our mining fleet, which was operational in the second quarter of 2011.

5. Operating Income by Segment (continued)

Mining Operations (continued)

Kiniero, Guinea

	Three-month period ended March 31,		
	2012	2011	Variation
Operating Data			
Ore mined (tonnes)	–	74,900	(100%)
Ore processed (tonnes)	–	109,800	(100%)
Head grade (g/t)	–	1.48	(100%)
Recovery (%)	–	93	(100%)
Gold ounces produced	–	5,000	(100%)
Gold ounces sold	–	4,500	(100%)
Financial Data (in thousands of dollars)			
Revenues – Gold sales	–	6,237	(100%)
Mining operation expenses (excluding government royalties)	**775**	4,653	(83%)
Government royalties	–	342	(100%)
Depreciation of property, plant and equipment	**147**	1,028	(86%)
General and administrative	**259**	535	(52%)
Corporate social responsibility expenses	**5**	56	(91%)
Segment operating income	**(1,186)**	(377)	215%
Statistics (in dollars)			
Average realized selling price (per ounce)	–	1,386	(100%)
Cash operating cost (per ounce produced)[1]	–	1,026	(100%)
Cash operating cost (per tonne processed)[1]	–	45	(100%)
Total cash cost (per ounce sold)[2]	–	1,110	(100%)
Depreciation (per ounce sold)[3]	–	229	(100%)

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

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

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

First Quarter 2012 v. First Quarter 2011

Update on Operations at the Kiniero Mine in Guinea

- In September 2011, we announced a temporary suspension of operations at our Kiniero Mine following an illegal protest by a group of local residents.
- At the end of October of 2011, normal exploration activities resumed.
- In March 2012, additional work has been executed such as maintenance and recruitment in order to restart the operations.
- Milling operations resumed at the beginning of April 2012.

6. Other Elements of the Statement of Income

General and Administrative Expenses

(in thousands of dollars)	Three-month period ended March 31, 2012	2011
Corporate expenses	**4,807**	4,031
Sites – Administrative	**1,512**	1,514
	6,319	5,545

General and administrative expenses totalled $6,319,000 in the first three months of 2012 compared to $5,545,000 in the same period in 2011. The increase is consistent with our efforts to sustain growth, particularly with regard to our human resources pertaining to technical support for exploration and operational activities.

Corporate Social Responsibility

Our corporate social responsibility expenses totalling $691,000 for the first quarter of 2012 relate mainly to amounts invested to support *Fondation SEMAFO* as well as SEMAFO Energy, whose purpose is to increase electricity generation in our host countries. In the three-month period ended 2012, contributions of $388,000 (2011: $700,000) were made to *Fondation SEMAFO,* while our support to SEMAFO Energy totalled $228,000 (2011: $197,000). The residual amounts were disbursed in support of various local initiatives.

Share-based Payment

For the three-month period ended March 31, 2012, our share-based payment expenses amounted to $778,000 compared to $2,256,000 for the same period in 2011. Our 2012 first quarter share-based payment expenses included a $797,000 charge (2011: $1,870,000) related to our stock option plans and a $19,000 credit (2011: expense of $386,000) for our new Restricted Share Unit Plan ("Unit Plan") implemented during the first quarter of 2011. The decrease in our stock option plans expenses in 2012 compared to 2011 is the result of a decrease in the number of options granted under the stock option plans further to the implementation of the Unit Plan. The $19,000 credit related to the Unit Plan is comprised of a $472,000 credit related to change in fair value of our share price, compensated by a $453,000 expense related to restricted share units outstanding.

Further details regarding share-based payment are provided in note 11 of our financial statements.

Finance Costs

In the first quarter of 2012, finance costs amounted to $247,000 compared to $557,000 in the first quarter of 2011. The variance is due to long-term debt repayments made during the past twelve months and the full repayment of our $45,000,000 term facility, which was completed on September 30, 2011. As a result, we no longer hold any long-term debt. The finance costs of $247,000 represent mainly accretion expenses on both asset retirement obligations and advance payable to the Republic of Niger.

Income Tax Expense

The income tax expense resulted from higher taxable income at our Mana Mine, which is subject to a tax rate of 17.5%, was compensated by an income tax expense recovery reflecting the impact of foreign exchange movements on our foreign non-monetary assets.

6. Other Elements of the Income Statement (continued)

Comprehensive Income Attributable to Non-Controlling Interests

	Three-month period ended March 31,	
	2012	2011
Non-controlling interests (in thousands of dollars)		
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A.	**3,320**	2,269
Government of Niger – 20% in Société des Mines du Liptako (SML) S.A.	**737**	413
Government of Guinea – 15% in SEMAFO Guinée S.A.	**(708)**	(459)
	3,349	2,223

The fluctuation in the non-controlling interests of our subsidiaries is a direct result of the variation in local net income for the period.

7. Other Comprehensive Income

For the first three months of 2012, other comprehensive loss amounted to $7,362,000 (net of tax of nil), representing the change in the fair value of our quoted equity investments designated as available-for-sale financial assets.

8. Cash Flow

The following table summarizes our cash flow activities:

(in thousands of dollars)	Three-month period ended March 31, 2012	2011
Cash flow		
Operations	**40,196**	31,220
Working capital items	**18,554**	(6,604)
Operating activities	**58,750**	24,616
Financing activities	**(5,301)**	(3,327)
Investing activities	**(57,710)**	(32,262)
Effect of exchange rate changes on cash and cash equivalents	**(707)**	(1,304)
Change in cash and cash equivalents during the period	**(4,968)**	(12,277)
Cash and cash equivalents - Beginning of the period	**178,713**	220,439
Cash and cash equivalents - End of the period	**173,745**	208,162

Operating

Our primary ongoing source of liquidity is from our operating cash flows. In the three-month period ended March 31, 2012, operating activities, before working capital items, generated cash flows of $40,196,000. During the same period in 2011, our operating activities generated liquidities of $31,220,000. The variance reflects mainly the growing cash margins due to the rise in the average realized selling price of gold. Working capital items generated liquidities of $18,554,000 in 2012, while it required $6,604,000 in 2011, as a result of higher trade receivables from December 2011 gold sales for which the proceeds were received in January 2012, and compensated by higher inventories required with the increasing fleet at the Mana Mine and lower trade payables and accrued liabilities.

Further details regarding the changes in non-cash working capital items are provided in note 16 a) of our financial statements.

Financing

During 2012, cash flow used in financing activities amounted to $5,301,000 compared to $3,327,000 in 2011. This variance is mainly explained by the payment of a dividend payable of $5,348,000 during the first quarter of 2012, compared to the reimbursement of long-term debt during the same period in 2011. On September 30, 2011, we fully reimbursed our long-term debt and as a result, we no longer hold long-term debt.

Use of proceeds as at March 31, 2012 in comparison to the previously proposed use of proceeds of our 2010 public offerings is broken down as follows:

(in dollars)	Announced investment for 2010 financing	Actual use of proceeds, March 31, 2012
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	42,343,000
	113,018,000	**82,343,000**

8. Cash Flow (continued)

Investing

In the three-month period ended March 31, 2012, we made investments totalling $4,813,000 in quoted equity investments, which are reported as investments in our financial statements. These investments were classified as available-for-sale financial assets.

In the first three months of 2012, investments of $53,200,000 were made in property, plant and equipment, compared to investments of $31,957,000 in the same period in 2011.

Cash flow used for investments in property, plant and equipment in the first quarter of 2012 included: exploration expenditures of $14,722,000, expansion costs at the Mana Mine totalling $3,869,000, Mana underground project expenditures of $6,057,000, the purchase of mining equipment totalling $9,165,000, capitalized stripping costs of $4,342,000, as well as sustainable capital expenditures of $15,045,000. In the first quarter of 2011, liquidities of $31,957,000 were invested as follows: $12,817,000 in exploration expenditures, $1,594,000 for expansion related costs at the Mana Mine, $8,729,000 for mining equipment, stripping costs of $3,317,000 as well as sustainable capital expenditures in the amount of $5,500,000.

Financial Position

As at March 31, 2012, we maintained a strong financial position with $173,745,000 in cash and cash equivalents and no long-term debt. With our existing cash balances and forecast cash flow from operations, we are well positioned to fund all of our cash requirements for 2012, which relate primarily to the following activities:

Requirements and ongoing projects:

- Exploration programs
- Mana plant expansion projects
- Wona Deep development
- Payment of income tax in Burkina Faso
- Dividend payment

9. Financial Position

(in thousands of dollars)	As at March 31, 2012	As at December 31, 2011
Current assets	**306,668**	331,198
Restricted cash	**923**	1,226
Property, plant and equipment	**402,221**	362,187
Investment	**29,400**	29,400
Total assets	**739,212**	724,011
Total liabilities	**87,766**	97,518
Equity attributable to equity shareholders of the Corporation	**630,628**	609,834
Non-controlling interests	**20,818**	16,659

As at March 31, 2012, our total assets amounted to $739,212,000 compared to $724,011,000 as at December 31, 2011. We held cash and cash equivalents of $173,745,000 as at March 31, 2012 compared to $178,713,000 as at December 31, 2011. The remaining portion of our asset base is primarily comprised of property, plant and equipment, reflecting the capital intensive nature of our business and the increase in capital expenditure in the three-month period ended March 31, 2012 compared to the same period in 2011. The carrying value of our property, plant and equipment increased to $402,221,000 as at March 31, 2012 compared to $362,187,000 as at December 31, 2011.

As at March 31, 2012, our liabilities totalled $87,766,000, which is mainly comprised of trade payables and accrued liabilities and income tax payable.

10. Financial Instruments

The nature and extent of risks arising from financial instruments are described in Note 16 of the Corporation's 2011 annual audited consolidated financial statements. In the first three months of 2012, there was no material change to the nature of risks arising from financial instruments or classification of financial instruments. Furthermore, there was no change in the methodology used to determine the fair value of the financial instruments that are measured at fair value on the Corporation's consolidated statement of financial position.

11. Contractual Obligations

Asset Retirement Obligations

Our operations are governed by mining agreements that include the protection of the environment. We conduct our operations in such manner as to protect public health and the environment. We implement progressive measures for rehabilitation work during the operation, in accordance with our mining agreements, as well as closing-down and follow-up work upon closure of a mine. The estimated undiscounted cash flow required to settle the asset retirement obligations is $11,090,000. These disbursements are expected to be made during the years 2012 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 royalties fees of 5% in Burkina Faso (gold price greater than $1,300), 5.5% in Niger and of 5% in Guinea based on the value 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, we are 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 139,500 ounces. We have 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 March 31, 2012, we were in compliance with all obligations related to the ownership of our permits.

Purchase and Other Obligations

As at March 31, 2012 the purchase commitments related to the Mana plant expansion, the Mana underground and mining equipment expenditures totalled $23,725,000 including $10,510,000 for the underground project. In addition, on October 1, 2011, we entered into an agreement with National Electricity Company Sonabel, in Burkina Faso, according to which we will advance $9,500,000 for the construction of a 73-kilometer high-voltage transmission line. This amount is reimbursable to SEMAFO by Sonabel over an eight-year period following commissioning, which is scheduled for the second half of 2013. As of March 31, 2012, no amounts have been advanced to Sonabel with respect to this project.

12. Events after the reporting period

The investments currently held by the Corporation and recorded in current assets in the interim consolidated statement of financial position were made in gold producing and exploration companies. These quoted equities, designated as available-for-sale investment, were subject to large downward equity market changes after the March 31, 2012 reporting date. Consequently, the change in the fair value of these investments represented a further unrealized loss of approximately $13,000,000 from the reporting date to May 14, 2012.

On April 23, 2012, GoviEx Uranium Inc. (GoviEX), an investment recorded in non-current assets in the interim consolidated statement of financial position, announced that it had closed a $40 million strategic financing and executed an off-take agreement with Japanese industrial and nuclear giant Toshiba Corporation to advance the development of GoviEx's Madaouela Project, located in the heart of Niger's uranium-producing district.

On May 14, 2012, the Board of Directors approved a cash dividend of C$0.02 per common share, payable on July 16, 2012 to shareholders of record at the close of business on June 30, 2012.

13. Significant accounting policies

The Corporation established its accounting policies and methods used in the preparation of its unaudited interim condensed consolidated financial statements for the first quarter of 2012 in accordance with IFRS. See Note 3 to the Corporation's 2011 annual audited consolidated financial statements for more information about the significant accounting policies used to prepare the financial statements, as they remain unchanged for the first quarter of 2012.

14. Critical accounting estimates and judgments

The preparation of the Corporation's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. The estimates and assumptions that have a significant risk of causing material adjustments to the Corporation's financial statements were disclosed in Note 4 to the Corporation's 2011 annual audited consolidated financial statements and they remain unchanged for the first quarter of 2012.

15. 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.

Access to Capital Markets

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

Operational Risks

Uncertainty of 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.

15. 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 evens 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, import and export of gold, revenue repatriation and environmental protection. The effects of these factors cannot be accurately predicted, but the combination of these factors may preclude us from receiving an adequate return on invested capital.

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

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.

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 materially 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 of needed commodities may materially adversely affect our financial condition and results of operations.

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Licenses and Permits

We require licenses and permits from various governmental authorities. We believe that we hold all necessary licenses and permits under applicable laws and regulations in respect of our properties and that we presently comply in all material respects with the terms of such licenses and permits. Such licenses and permits, however, are subject to change in various circumstances. There can be no guarantee that we will be able to obtain or maintain all necessary licenses and permits that may be required to continue to operate our current undertakings, explore and develop properties or commence construction or operation of mining facilities and properties under exploration or development. Failure to obtain new licenses and permits or successfully maintain current ones may materially adversely affect our financial condition and results of operations.

Political Risk

While the 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, labor relations, and repatriation of income or return of capital. Any limitation on transfer of cash or other assets between SEMAFO and our subsidiaries could restrict our ability to fund our operations 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.

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.

Suppliers and Outside Contractors Risk

We are dependent on various services, equipment, supplies and parts to carry out our operations. The shortage of any needed good or service may cause cost increases or delays in delivery time thereby materially adversely affecting our production schedules as well as financial condition and results of operations.

Additionally, 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
- problems of a contractor with managing its workforce, labor 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.

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Qualified and Key Personnel

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

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.

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.

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.

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.

Mana Underground – Wona Deep Development

The success of the construction, development and start-up of the Mana underground is subject to a number of risks, including the availability and performance of engineering and mining contractors and other construction and operational elements. Any delay or failure in the performance of contractors or elements on which we are dependent in connection with the construction or operation of the Mana underground could delay its planned construction and start-up. There is no assurance that current or future construction and start-up plans for the Mana underground will be successful nor that personnel or equipment will be available in a timely manner or on reasonable terms and conditions to successfully complete construction of the Mana underground on time and on budget or otherwise. Any disruption in the construction of the Mana underground could materially adversely affect our financial condition and results of operation.

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Litigation

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

16. Summary of Quarterly Information (Unaudited, in accordance with IFRS)

(in thousands of dollars, except for amounts per share)	2012	2011				2010		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Results								
Revenues – Gold sales	100,401	113,854	102,297	100,398	79,367	86,392	86,223	87,085
Operating income	38,173	47,448	40,756	40,590	25,370	32,165	37,949	36,565
Net income	31,471	38,196	31,320	32,851	20,392	28,176	32,392	30,704
Attributable to:								
- Equity shareholders of the Corporation	28,122	33,277	29,682	30,631	18,169	26,647	32,102	29,916
- Non-controlling interests	3,349	4,919	1,638	2,220	2,223	1,529	290	788
Total comprehensive income	24,109	35,402	31,320	32,851	20,392	28,176	34,512	30,704
Attributable to:								
- Equity shareholders of the Corporation	20,760	30,483	29,682	30,631	18,169	26,647	34,222	29,916
- Non-controlling interests	3,349	4,919	1,638	2,220	2,223	1,529	290	788
Basic net income per share	0.10	0.12	0.11	0.11	0.07	0.10	0.12	0.12
Diluted net income per share	0.10	0.12	0.11	0.11	0.07	0.10	0.12	0.11
Cash flow from operating activities[1]	40,196	54,325	43,139	43,191	31,220	37,483	41,776	41,314

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

17. Information on Outstanding Shares

As at May 14, 2012, our share capital was comprised of 273,151,185 common shares issued and outstanding.

We have two stock option plans for our employees, officers, consultants and Directors and those of our subsidiaries; the Stock Option Plan (the "Original Plan") and the 2010 Stock Option Plan (the "2010 Plan"). At the 2010 Annual General and Special Shareholders' Meeting, our shareholders adopted the 2010 Plan. Since the adoption of the 2010 Plan by 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 May 14, 2012 stock options allowing holders to purchase 9,210,495 common shares were outstanding.

18. Additional information

Exchange rates are as follows:

	CAD / USD $		EUR / USD $	
	2012	2011	**2012**	2011
December 31 (closing)	**–**	1.0210	**–**	0.7721
March 31 (closing)	**0.9991**	0.9718	**0.7500**	0.7051
First quarter (average)	**1.0012**	0.9844	**0.7618**	0.7307

19. 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 period ended March 31, 2012, 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 time 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 January 1, 2012 and ending on March 31, 2012.

20. Non-IFRS Financial Performance Measures

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

Cash Operating Cost

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

Per Ounce Produced	Mana	Samira Hill	Three-month period ended March 31, 2012 Kiniero	Total
Gold ounces produced	**48,000**	**12,900**	**–**	**60,900**
(in thousands of dollars except per ounce)				
Mining operation expenses (relating to ounces sold)	**30,089**	**11,455**	**775**	**42,319**
Fixed expenses incurred during the temporary shutdown period	**–**	**–**	**(775)**	**(775)**
Government royalties and selling expenses	**(4,138)**	**(1,272)**	**–**	**(5,410)**
Effects of inventory adjustments (doré bars)	**1,039**	**532**	**–**	**1,571**
Operating costs (relating to ounces produced)	**26,990**	**10,715**	**–**	**37,705**
Cash operating cost (per ounce produced)	**562**	**831**	**–**	**619**

Per Ounce Produced	Mana	Samira Hill	Three-month period ended March 31, 2011 Kiniero	Total
Gold ounces produced	45,200	9,800	5,000	60,000
(in thousands of dollars except per ounce)				
Mining operation expenses (relating to ounces sold)	22,777	9,307	4,995	37,079
Government royalties and selling expenses	(2,613)	(834)	(383)	(3,830)
Effects of inventory adjustments (doré bars)	1,296	(342)	519	1,473
Operating costs (relating to ounces produced)	21,460	8,131	5,131	34,722
Cash operating cost (per ounce produced)	475	830	1,026	579

20. Non-IFRS Financial Performance Measures (continued)

Cash Operating Cost (continued)

Per Tonne Processed	Mana	Samira Hill	Kiniero	Total
			Three-month period ended March 31, 2012	
Tonnes of ore processed	**626,800**	**422,600**	**–**	**1,049,400**
(in thousands of dollars except per ounce)				
Mining operation expenses (relating to ounces sold)	**30,089**	**11,455**	**775**	**42,319**
Fixed expenses incurred during the temporary shutdown period	**–**	**–**	**(775)**	**(775)**
Government royalties and selling expenses	**(4,138)**	**(1,272)**	**–**	**(5,410)**
Effects of inventory adjustments (doré bars and gold in circuit)	**5**	**634**	**–**	**639**
Operating costs (relating to tonnes processed)	**25,956**	**10,817**	**–**	**36,773**
Cash operating cost (per tonne processed)	**41**	**26**	**–**	**35**

Per Tonne Processed	Mana	Samira Hill	Kiniero	Total
			Three- month period ended March 31, 2011	
Tonnes of ore processed	584,800	300,100	109,800	994,700
(in thousands of dollars except per ounce)				
Mining operation expenses (relating to ounces sold)	22,777	9,307	4,995	37,079
Government royalties and selling expenses	(2,613)	(834)	(383)	(3,830)
Effects of inventory adjustments (doré bars and gold in circuit)	1,394	(871)	349	872
Operating costs (relating to tonnes processed)	21,558	7,602	4,961	34,121
Cash operating cost (per tonne processed)	37	25	45	34

Operating Cash Flow per Share

	2012	2011	2010
		Three-month period ended March 31,	
(in thousands except per share)			
Cash flow from operating activities[1]	**40,196**	31,220	26,925
Weighted average number of outstanding common shares	**273,026**	272,274	250,972
Operating cash flow per share	**0.15**	0.11	0.11

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

21. Additional Information and Continuous Disclosure

This MD&A has been prepared as of May 14, 2012. 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

22. Forward-Looking Statements

This MD&A contains forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and accordingly, actual results and future events could differ materially from those expressed or implied in such statements. You are hence cautioned not to place undue reliance on forward-looking statements. These forward-looking statements include statements regarding our expectations as to the market price of gold, production targets, timetables, mining operation expenses, capital expenditures and mineral reserve and resource estimates. Forward-looking statements include words or expressions such as "committed", "evolve", "become", "pursuing", "growth", "opinion", "will", "continue", "maintain", "objectives", "goal", "expected", "scheduled", "estimated", "should", "could", "potential", "improve", "lead us to believe", "expand", "would", "eventual" and other similar words or expressions. Factors that could cause future results or events to differ materially from current expectations expressed or implied by the forward-looking statements include the ability to deliver on our strategic focus, the ability to maintain our value creation initiatives, the ability to meet our 2012 growth objectives, the ability of the new on-site laboratory to reduce the turnaround time for assay results, the ability to increase our reserves and resources, the ability of Phase IV of the Mana plant extension to attain up to 7,200 tpd in bedrock, 8,000 tpd in blended ore, increase throughput by 1,200 tpd and represent an additional 26,000 to 30,000 ounces of gold annually when compared to current plant capacity, the ability of Mana's new production facility to increase processing capacity by 6,000 tpd to 14,000 tpd and represent as much as an additional 120,000 gold ounces annually, the ability to improve the Wona/Kona overall project economics, the ability of 2011 drill results received to date combined with prior findings to significantly expand the Wona/Kona pit, the ability to convert a considerable part of reserves and resources from underground to open pit while maintaining an eventual underground operation, the ability of such conversion to result in a reduction of capital expenditures and an improvement in the overall economics of the project, the ability to communicate the results of this review with the results and resources update expected in June 2012, the ability of ongoing surface drilling in the SW zone to demonstrate opportunities to further increase underground and/or open pit reserves and resources, fluctuations in the price of currencies, gold or operating costs, mining industry risks, uncertainty as to calculation of mineral reserves and resources, delays, requirements of additional financing, increase in tax or royalty rates or adoption of new interpretations related thereto, political and social stability in Africa (including our ability to maintain or renew licenses and permits) and other risks described in this MD&A and in our other documents filed from time to time with Canadian securities regulatory authorities. You can find further information with respect to these and other risks our Annual Information Form and other filings made with Canadian securities regulatory authorities available at www.sedar.com. These documents are also available on our website at www.semafo.com. We disclaim any obligation to update or revise these forward-looking statements, except as required by applicable law.

SEMAFO Inc.

Condensed Interim Consolidated Financial Statements (unaudited)
March 31, 2012

Table of Contents

Interim Consolidated Statement of Financial Position

(Expressed in thousands of US dollars - unaudited)

	As at March 31, 2012 $	As at December 31, 2011 $
Assets		
Current assets		
Cash and cash equivalents (note 4)	173,745	178,713
Trade and other receivables (note 5)	14,252	43,022
Investments	19,758	22,307
Inventories (note 6)	91,687	81,639
Other current assets	7,226	5,517
	306,668	331,198
Non-current assets		
Restricted cash	923	1,226
Property, plant and equipment (note 7)	402,221	362,187
Investment	29,400	29,400
	432,544	392,813
Total assets	739,212	724,011
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	51,385	58,010
Income tax payable	22,342	15,509
Dividends payable	–	5,348
	73,727	78,867
Non-current liabilities		
Restricted share unit liability	1,071	1,090
Advance payable	2,155	2,102
Provisions	8,943	8,505
Deferred income tax liabilities	1,870	6,954
Total liabilities	87,766	97,518
Equity		
Equity shareholders of the Corporation		
Share capital (note 8)	454,810	454,746
Contributed surplus	11,715	10,935
Accumulated other comprehensive income (loss)	(1,676)	5,686
Retained earnings	165,779	138,467
	630,628	609,834
Non-controlling interests	20,818	16,659
Total equity	651,446	626,493
Total liabilities and equity	739,212	724,011

Financial commitments and contingencies (note 15)

Events after the reporting period (note 18)

Approved by the Board of Directors,

Jean Lamarre, Director

Benoit La Salle, FCA, Director

Interim Consolidated Statement of Income

(Expressed in thousands of US dollars - unaudited)

	Three-month period ended March 31,	
	2012 $	2011 $
Revenues – Gold sales	100,401	79,367
Costs of operations		
Mining operation expenses (note 9)	42,319	37,079
Depreciation of property, plant and equipment	12,121	8,147
General and administrative (note 10)	6,319	5,545
Corporate social responsibility expenses	691	970
Share-based payment (note 11)	778	2,256
Operating income	38,173	25,370
Other expenses (income)		
Finance income	(86)	(119)
Finance costs (note 12)	247	557
Foreign exchange loss	352	424
Income before income taxes	37,660	24,508
Income tax expense (recovery)		
Current	11,406	5,387
Deferred	(5,217)	(1,271)
	6,189	4,116
Net income for the period	31,471	20,392
Attributable to:		
Equity shareholders of the Corporation	28,122	18,169
Non-controlling interests (note 13)	3,349	2,223
	31,471	20,392
Earnings per share (note 14)		
Basic	0.10	0.07
Diluted	0.10	0.07

Interim Consolidated Statement of Comprehensive Income

(Expressed in thousands of US dollars - unaudited)

	Three-month period ended March 31,	
	2012 $	2011 $
Net income for the period	31,471	20,392
Other comprehensive income (loss)		
Change in fair value of available-for-sale financial assets (net of tax of nil)	(7,362)	–
Other comprehensive income (loss) for the period, net of tax	(7,362)	–
Total comprehensive income for the period	24,109	20,392
Attributable to:		
Equity shareholders of the Corporation	20,760	18,169
Non-controlling interests	3,349	2,223
	24,109	20,392

Interim Consolidated Statement of Changes in Equity

(Expressed in thousands of US dollars - unaudited)

	Attributable to equity shareholders of the Corporation						
	Share capital $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Retained earnings $	Total $	Non-controlling interests $	TOTAL EQUITY $
Balance – January 1, 2011	452,542	8,053	8,480	32,761	501,836	4,954	506,790
Net income for the period	–	–	–	18,169	18,169	2,223	20,392
Other comprehensive income for the period	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	18,169	18,169	2,223	20,392
Share-based payment (note 11)	–	1,870	–	–	1,870	–	1,870
Shares issued from the exercise of options (notes 8 and 11)	538	(115)	–	–	423	–	423
Balance – March 31, 2011	453,080	9,808	8,480	50,930	522,298	7,177	529,475
Balance – January 1, 2012	**454,746**	**10,935**	**5,686**	**138,467**	**609,834**	**16,659**	**626,493**
Net income for the period	–	–	–	**28,122**	**28,122**	**3,349**	**31,471**
Other comprehensive loss for the period							
Change in fair value of available-for-sale financial assets (net of tax of nil)	–	–	**(7,362)**	–	**(7,362)**	–	**(7,362)**
Total comprehensive income for the period	–	–	**(7,362)**	**28,122**	**20,760**	**3,349**	**24,109**
Share-based payment (note 11)	–	**797**	–	–	**797**	–	**797**
Shares issued from the exercise of options (notes 8 and 11)	**64**	**(17)**	–	–	**47**	–	**47**
Non-controlling interests' share of transactions in subsidiaries' equity	–	–	–	**(810)**	**(810)**	**810**	–
Balance – March 31, 2012	**454,810**	**11,715**	**(1,676)**	**165,779**	**630,628**	**20,818**	**651,446**

Interim Consolidated Statement of Cash Flows

(Expressed in thousands of US dollars - unaudited)

	Three-month period ended March 31,	
	2012	2011
	$	$
Cash flows from (used in):		
Operating activities		
Net income for the period	**31,471**	20,392
Adjustments for :		
Depreciation of property, plant and equipment	**12,121**	8,147
Share-based payment (note 11)	**778**	2,256
Non-cash finance costs	**203**	243
Unrealized foreign exchange loss	**840**	1,453
Deferred income taxes recovery	**(5,217)**	(1,271)
	40,196	31,220
Changes in non-cash working capital items (note 16 a)	**18,554**	(6,604)
	58,750	24,616
Financing activities		
Reimbursement of long-term debt	**–**	(3,750)
Proceeds on issuance of share capital	**47**	423
Payment of dividends	**(5,348)**	–
	(5,301)	(3,327)
Investing activities		
Investments	**(4,813)**	–
Acquisitions of property, plant and equipment	**(53,200)**	(31,957)
Decrease (increase) in restricted cash	**303**	(305)
	(57,710)	(32,262)
Effect of exchange rate changes on cash and cash equivalents	**(707)**	(1,304)
Change in cash and cash equivalents during the period	**(4,968)**	(12,277)
Cash and cash equivalents – beginning of period	**178,713**	220,439
Cash and cash equivalents – end of period	**173,745**	208,162
Interest paid	**–**	286
Interest received	**86**	119
Income tax paid	**4,408**	–

Supplementary cash flow information (note 16 b)

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

1. Incorporation and nature of activities of the Corporation

SEMAFO Inc. (the "Corporation") is governed by the Business Corporations Act (Quebec) and is listed on the Toronto Stock Exchange and on the NASDAQ OMX Stockholm exchange. The Corporation's headquarters is located at 100 Alexis-Nihon blvd, 7th floor, Saint-Laurent, Quebec, H4M 2P3.

The Corporation's subsidiaries are engaged in gold mining activities including exploration, development and operations. These activities are conducted in West Africa. The Corporation'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, the ability to obtain all required permits, the ability to obtain appropriate financing to put these mining properties into production and the ability to realize a profitable return for the Corporation.

2. Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Corporation's annual financial statements for the year ended December 31, 2011. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved these condensed interim consolidated financial statements on May 14, 2012.

3. New accounting standards issued but not yet in effect

The IASB issued or amended the following standards which are relevant but have not yet been adopted by the Corporation: IFRS 9, *Financial Instruments*; IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests in Other Entities*; IFRS 13, *Fair Value Measurement*; amended IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*; and IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mining*. Each of the new standards or amendments is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, except for IFRS 9, *Financial Instruments,* which is effective for annual periods beginning on or after January 1, 2015. Also, there were amendments to IAS 1*, Presentation of Financial Statements* effective for annual periods beginning on or after July 1, 2012. The Corporation has not yet completed the process of assessing the impact that the new and amended standards will have on its financial statements or determining whether to adopt in advance any of the new requirements.

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

The following is a brief summary of the new standards or amendments:

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple categories 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 other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they are 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 10, *Consolidated Financial Statements* ("IFRS 10")

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 11, *Joint Arrangements* ("IFRS 11")

IFRS 11 supersedes IAS 31, *Interest in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, and requires a single method to account for interests in jointly controlled entities.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose entities 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")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. 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 on 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.

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20")

IFRIC 20 was issued in October 2011. It provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when one of the two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory or improved access to further quantities of material that will be mined in future periods.

Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements* ("IAS 27R"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). IAS 27R 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 to IFRS 13. Moreover, amendments to IAS 1, *Presentation of Financial Statements* have been made to require entities to group items within other comprehensive income that may be reclassified to net income.

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

4. Cash and cash equivalents

	As at March 31, 2012 $	As at December 31, 2011 $
Cash	**143,745**	128,713
Cash equivalents	**30,000**	50,000
	173,745	178,713

Cash comprises cash on hand and demand deposits amounting to $143,745,000 which includes $37,416,000 of cash on hand bearing interest at a rate of 0.40 % annually as at March 31, 2012.

Cash equivalents are composed of three 181-day zero coupon bank deposits of $10,000,000 each (totalling $30,000,000), bearing interest at a rate of 0.225% per annum and all maturing on September 24, 2012. Despite these bank deposits having an investment period of over 90 days, they are deemed highly liquid cash equivalent items as they can be redeemed at any time without penalties.

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

5. Trade and other receivables

	As at March 31, 2012 $	As at December 31, 2011 $
Gold trade receivables	**959**	35,964
Other receivables	**13,293**	7,058
	14,252	43,022

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

Other receivables are mainly comprised of value added tax ("VAT") receivables. They are non-interest bearing and are generally settled within 1 to 6 months. In the three-month period ended March 31, 2012, bad debt expense on VAT receivables related to the Kiniero Mine amounted to $148,000 and was charged to general and administrative costs (2011: $203,000).

The Corporation holds no collateral for any receivable amounts outstanding as at March 31, 2012.

6. Inventories

	As at March 31, 2012 $	As at December 31, 2011 $
Doré bars	**4,348**	2,029
Gold in circuit	**7,503**	8,545
Stockpiles	**9,766**	5,661
Supplies and spare parts	**70,070**	65,404
	91,687	81,639

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. In the first quarter of 2012, obsolescence provision amounted to $108,000 was recorded (2011: nil). There were no reversals of write-down in the three-month period ended March 31, 2012 (2011: nil).

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

7. Property, plant and equipment

	Property, acquisition costs, deferred exploration and development costs $	Buildings and equipment related to mining production $	Mining equipment $	Rolling stock, communication and computer equipment $	Stripping costs $	TOTAL $
Three-month period ended March 31, 2012						
Opening net book amount	149,752	122,445	50,475	6,062	33,453	362,187
Additions	22,110	23,895	2,235	792	4,342	53,374
Depreciation charge	(4,939)	(2,971)	(2,340)	(501)	(2,589)	(13,340)
Closing net book amount	**166,923**	**143,369**	**50,370**	**6,353**	**35,206**	**402,221**
As at March 31, 2012						
Cost	278,083	206,604	75,919	15,477	45,525	621,608
Accumulated depreciation	(111,160)	(63,235)	(25,549)	(9,124)	(10,319)	(219,387)
Net book amount	**166,923**	**143,369**	**50,370**	**6,353**	**35,206**	**402,221**
Assets not subject to depreciation included above[1]	15,768	41,009	262	283	–	57,322
As at December 31, 2011						
Cost	255,973	182,709	73,684	14,685	41,183	568,234
Accumulated depreciation	(106,221)	(60,264)	(23,209)	(8,623)	(7,730)	(206,047)
Net book amount	149,752	122,445	50,475	6,062	33,453	362,187
Assets not subject to depreciation included above[1]	9,520	21,335	1,528	410	–	32,793

[1] Assets not subject to depreciation include critical spare parts not yet installed as well as assets under construction or in transit. Mana underground project amounted to $14,813,000 as at March 31, 2012 (December 31, 2011: $8,768,000).

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

8. Share capital

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

	Three-month period ended March 31, 2012		Three-month period ended March 31, 2011	
	Number (in thousands)	**Amount $**	Number (in thousands)	Amount $
Common shares				
Balance – beginning of period	**273,004**	**454,746**	272,238	452,542
Issued from the exercise of options	**37**	**64**	193	538
Balance – end of period	**273,041**	**454,810**	272,431	453,080

There were no common shares issued that were unpaid as of March 31, 2012 (2011: nil).

9. Mining operation expenses

	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Production costs	**37,242**	33,579
Government royalties	**5,077**	3,500
	42,319	37,079

10. General and administrative

	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Corporate expenses	**4,807**	4,031
Sites - Administrative	**1,512**	1,514
	6,319	5,545

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

11. Share-based payment

	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Options plans	**797**	1,870
Restricted Share Unit plan	**(19)**	386
	778	2,256

a) Options

A total of 131,000 new options were issued to directors of the Corporation during the three-month period ended March 31, 2012 (2011: 89,000). The fair market value of these new options was evaluated at $505,000 as at March 31, 2012 (2011: $500,000).

The share-based compensation cost was calculated according to the fair value of options issued based on the Black-Scholes valuation model using the following weighted average assumptions:

	Three-month period ended March 31, 2012	Three-month period ended March 31, 2011
Expected dividend per share	**0%**	0%
Forecasted volatility	**60%**	60%
Risk-free interest rate	**1.31%**	2.30%
Expected life	**5 years**	5 years
Fair value – weighted average of options issued	**$3.86**	$5.62

Forecasted volatility has been determined using historical volatility.

For the period ended March 31, 2012, the total expense for the share-based compensation related to the option plans was $797,000, compared to $1,870,000 for the corresponding period in 2011. Those costs were credited to the contributed surplus.

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

11. Share-based payment (continued)

a) Options (continued)

A total of 37,000 options were exercised in the three-month period ended March 31, 2012 under the Original Plan for a cash consideration of $47,000. An amount of $17,000 has been reclassified from contributed surplus to share capital. For the same period in 2011, a total of 193,000 options were exercised under the Original Plan for a cash consideration of $423,000. An amount of $115,000 has been reclassified from contributed surplus to share capital.

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

	Three-month period ended March 31, 2012		Three-month period ended March 31, 2011	
(In thousands, except weighted average exercise price/option)	**Number of options**	**Weighted average exercise price**	Number of options	Weighted average exercise price
	(in thousands)	**$**	(in thousands)	$
Balance – beginning of period	**9,265**	**2.66 (C$2.71)**	9,948	2.61 (C$2.59)
Exercised	**(37)**	**1.28 (C$1.28)**	(193)	2.20 (C$2.14)
Issued	**131**	**7.46 (C$7.45)**	89	10.98 (C$10.67)
Balance – end of period	**9,359**	**2.79 (C$2.78)**	9,844	2.75 (C$2.68)
Options exercisable – end of period	**6,644**	**2.54 (C$2.54)**	4,896	2.45 (C$2.38)

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

11. Share-based payment (continued)

b) Restricted share units ("RSUs")

The following table provides the three-month periods ended March 31, 2012 and 2011 activity for all restricted share units:

	RSUs non vested	RSUs vested
Outstanding as of January 1, 2011	–	–
Granted	496,000	–
Outstanding as of March 31, 2011	496,000	–

	RSUs non vested	RSUs vested
Outstanding as of January 1, 2012	515,000	–
Granted	–	–
Outstanding as of March 31, 2012	**515,000**	**–**

For the three-month period ended March 31, 2012, the share-based payment credit related to the Unit Plan totalled $19,000 (2011: expense of $386,000). As of March 31, 2012, none of the outstanding RSUs were vested.

The following table details the break-down of the Unit Plan expense:

	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Expense related to RSUs outstanding	**453**	444
Credit related to change in the fair value of the share price	**(472)**	(58)
	(19)	386

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

12. Finance costs

	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Interest expense on long-term debt	**–**	349
Accretion expense of asset retirement obligations	**150**	132
Accretion expense of advance payable to the Republic of Niger	**53**	47
Other	**44**	29
	247	557

13. Non-controlling interests

	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A.	**3,320**	2,269
Government of Niger – 20% in Société des Mines du Liptako (SML) S.A.	**737**	413
Government of Guinea – 15% in SEMAFO Guinée S.A.	**(708)**	(459)
	3,349	2,223

14. Earnings per share

(In thousands of dollars, except shares and per shares)	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Net income for the period attributable to the equity shareholders of the Corporation	**28,122**	18,169
Weighted average number of outstanding common shares – basic	**273,026**	272,274
Dilutive effect of options	**5,316**	6,994
Weighted average number of outstanding common shares – diluted	**278,342**	279,268
Basic earnings per share	**0.10**	0.07
Diluted earnings per share	**0.10**	0.07

15. Financial commitments and contingencies

Purchase obligations

As at March 31, 2012, the purchase commitments related to the Mana Mine totalled $23,725,000 including $10,510,000 for the underground project. In addition, on October 1, 2011, the Corporation entered into an agreement with National Electricity Company Sonabel, in Burkina Faso, according to which the Corporation will advance $9,500,000 for the construction of a 73-kilometer high-voltage transmission line. This amount is reimbursable to the Corporation by Sonabel over an eight-year period following commissioning, which is scheduled for the second half of 2013. Sonabel is currently issuing requests for proposals. As of March 31, 2012, no amounts have been advanced to Sonabel with respect to this project.

Royalties

In Burkina Faso, the Corporation is subject to a royalty rate of 5%, which was calculated using the retail market value of gold ounces sold at the time of shipment. In the first three months of 2012, government royalties amounted to $3,888,000 (2011: $2,394,000) were paid to the Government of Burkina Faso.

The Corporation is subject to a royalty of 5.5% of the market value of gold ounces sold originating from the Samira Hill Mine payable to the Republic of Niger. In the first quarter of 2012, government royalties amounted to $1,189,000 (2011: $764,000) were paid to the Government of Niger.

The Corporation is subject to a royalty of 5% of the market value of gold ounces sold originating from the Kiniero Mine payable to the Republic of Guinea. In addition, the Corporation has to invest 0.4% of its gold sales in local development projects. In the first quarter of 2012, government royalties amounted to nil (2011: $342,000) to the Government of Guinea.

Further 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 as from July 1, 2009. Since July 1, 2009, the Samira Hill mine produced 139,500 ounces. The Corporation has been granted a right of first refusal should Etruscan decides to sell this royalty.

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

16. Financial information included in the consolidated statement of cash flows

a) Changes in non-cash working capital items

	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Trade and other receivables	**28,770**	(12,340)
Inventories	**(8,715)**	(927)
Other current assets	**(1,709)**	(3,228)
Trade payables and accrued liabilities	**(6,625)**	3,325
Income tax payable	**6,833**	6,566
	18,554	(6,604)

b) Supplemental information on non-cash items

	Three-month period ended March 31, 2012 $	Three-month period ended March 31, 2011 $
Depreciation of property, plant and equipment allocated to exploration and stripping costs	**273**	75
Net effect of depreciation of property, plant and equipment allocated to inventories	**1,333**	11
New asset retirement obligations allocated to property, plant and equipment	**288**	185
Net book amount of disposed assets (cost of $387,000)	**106**	–

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

17. 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 location and laws. The business segments presented reflect the management structure of the Corporation and the way in which the Corporation's management reviews business performance. The Corporation evaluates the performance of its operating segments primarily based on segment operating income, as defined below.

					Three-month period ended March 31, 2012
	Mana, Burkina Faso $	Samira Hill, Niger $	Kiniero, Guinea $	Corporate and others $	Total $
Revenues – Gold sales	79,233	21,168	–	–	100,401
Mining operation expenses	30,089	11,455	775	–	42,319
Depreciation of property, plant and equipment	8,007	3,819	147	148	12,121
General and administrative	726	527	259	4,807	6,319
Corporate social responsibility expenses	249	49	5	388	691
Share-based payment	–	–	–	778	778
Operating income (loss)	**40,162**	**5,318**	**(1,186)**	**(6,121)**	**38,173**
Property, plant and equipment	277,550	90,921	28,123	5,627	402,221
Total assets	404,969	127,502	40,891	165,850	739,212

					Three-month period ended March 31, 2011
Revenues – Gold sales	59,302	13,828	6,237	–	79,367
Mining operation expenses	22,777	9,307	4,995	–	37,079
Depreciation of property, plant and equipment	5,380	1,686	1,028	53	8,147
General and administrative	462	517	535	4,031	5,545
Corporate social responsibility expenses	206	8	56	700	970
Share-based payment	–	–	–	2,256	2,256
Operating income (loss)	**30,477**	**2,310**	**(377)**	**(7,040)**	**25,370**
Property, plant and equipment	179,023	77,986	23,393	4,116	284,518
Total assets	265,954	107,524	41,309	205,601	620,388

18. Events after the reporting period

The investments currently held by the Corporation and recorded in current assets were made in gold producing and exploration companies. These quoted equities, designated as available-for-sale investment, were subject to large downward equity market changes after the March 31, 2012 reporting date. Consequently, the change in the fair value of these investments represents a further unrealized loss of approximately $13,000,000 from the reporting date to May 14, 2012.

On April 23, 2012, GoviEx Uranium Inc. (GoviEX), an investment recorded in non-current assets, announced that it had closed a $40 million strategic financing and executed an off-take agreement with Japanese industrial and nuclear giant Toshiba Corporation to advance the development of GoviEx's Madaouela Project, located in the heart of Niger's uranium-producing district.

On May 14, 2012, the Board of Directors approved a cash dividend of C$0.02 per common share, payable on July 16, 2012 to shareholders of record at the close of business on June 30, 2012.

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