SEMAFO Inc.

Management's Discussion and Analysis
December 31, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEMAFO Inc. ("SEMAFO" or the "Corporation") is a Canadian-based mining company with gold production and exploration activities in West Africa. The Corporation operates the Mana Mine in Burkina Faso, which includes the high-grade satellite deposits of Siou and Fofina, and following its positive feasibility study, the Corporation is advancing the gold deposit of Natougou towards achievement of key milestones. 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 of continuing operations, unless otherwise specified, to enable readers to assess material changes in financial condition and results of operations for the year ended December 31, 2015 compared to the previous year. This MD&A, prepared as of March 8, 2016, is intended to complement and supplement our Annual Audited Consolidated Financial Statements (the "financial statements") as at December 31, 2015 and for the year then ended. Our financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing our results of operation and our financial performance.

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

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

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

1. Financial and Operating Highlights

	2015	2014	2013
Gold ounces produced	**255,900**	234,300	158,600
Gold ounces sold	**258,600**	230,200	161,300
(in thousands of dollars, except amounts per ounce, per tonne and per share)			
From Continuing Operations			
Revenues – Gold sales	**300,129**	289,349	226,618
Operating income	**66,066**	46,359	18,942
Net income (loss) attributable to equity shareholders	**24,910**	15,812	(9,227)
Basic earnings (loss) per share	**0.09**	0.06	(0.03)
Diluted earnings (loss) per share	**0.09**	0.06	(0.03)
Adjusted net income (loss) attributable to equity shareholders[1]	**40,956**	29,603	(13,468)
Per share[1]	**0.14**	0.11	(0.05)
Cash flows from operating activities[2]	**147,561**	120,730	77,562
Per share[1]	**0.51**	0.44	0.28
Average realized selling price (per ounce)	**1,161**	1,257	1,405
Cash operating cost (per tonne processed)[1]	**47**	49	40
Total cash cost (per ounce sold)[1]	**493**	649	777
All-in sustaining cost (per ounce sold)[1]	**645**	801	1,242
From Discontinued Operations			
Net loss attributable to equity shareholders[3]	**—**	(11,339)	(75,995)
Total			
Net income (loss) attributable to equity shareholders	**24,910**	4,473	(85,222)
Basic earnings (loss) per share	**0.09**	0.02	(0.31)
Diluted earnings (loss) per share	**0.09**	0.02	(0.31)
Total assets	**781,513**	618,302	567,546
Cash dividends declared per share	**—**	—	0.02

[1] Cash operating cost, total cash cost, all-in sustaining cost, adjusted net income attributable to equity shareholders, adjusted basic earnings per share and operating cash flows per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures from continuing operations" section of this MD&A, note 22.

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

[3] The year ended December 31, 2014 includes a non-cash amount of $9,691,000 regarding the reversal of the non-controlling interest as a result of the sale of the Kiniero Mine.

1. Financial and Operating Highlights (continued)

Fourth Quarter Financial and Operating Highlights

	Three-month period ended December 31,		
	2015	2014	Variation
Gold ounces produced	**57,500**	61,800	(7%)
Gold ounces sold	**65,500**	65,500	—
(in thousands of dollars, except amounts per ounce, per tonne and per share)			
Revenues – Gold sales	**72,475**	78,591	(8%)
Operating income	**12,549**	14,873	(16%)
Net income attributable to equity shareholders	**476**	4,609	(90%)
Basic earnings per share	**—**	0.02	(100%)
Diluted earnings per share	**—**	0.02	(100%)
Adjusted net income attributable to equity shareholders[1]	**3,270**	9,898	(67%)
Per share[1]	**0.01**	0.04	(75%)
Cash flow from operating activities[2]	**39,430**	40,416	(2%)
Per share[1]	**0.13**	0.15	(13%)
Average realized selling price (per ounce)	**1,106**	1,200	(8%)
Cash operating cost (per tonne processed)[1]	**42**	51	(18%)
Total cash cost (per ounce sold)[1]	**493**	596	(17%)
All-in sustaining cost (per ounce sold)[1]	**719**	700	3%

[1] Cash operating cost, total cash cost, all-in sustaining cost, adjusted net income attributable to equity shareholders, adjusted basic earnings per share and operating cash flows per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures from continuing operations" section of this MD&A, note 22.

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

2016 HIGHLIGHTS AS OF MARCH 8, 2016

- Natougou feasibility study completed ahead of schedule
  - Financial capacity to bring the project into production[1]
  - Open pit reserves of 9.6 million tonnes at 4.15 g/t Au for 1.3 million ounces
  - Strong IRR of 48% at $1,100/oz gold[1]
  - Significant exploration upside[1]

2015 – THE YEAR IN REVIEW

- Achieved production and cost guidance for an eighth consecutive year
  - Gold production of 255,900 ounces, a 9% increase compared to 2014
  - Total cash cost[2] of $493 per ounce sold and all-in-sustaining cost[2] of $645 per ounce sold, which represent year-over-year decreases of 24% and 19%, respectively
- Gold sales of $300.1 million, a 4% increase compared to 2014
- Operating income of $66.1 million compared to $46.4 million in 2014
- Net income attributable to equity shareholders of $24.9 million or $0.09 per share[2] compared to $15.8 million or $0.06 per share[2] in 2014
- Adjusted net income from continuing operations attributable to equity shareholders[2] of $41.0 million or $0.14 per share[2] compared to $29.6 million or $0.11 per share[2] for the same period in 2014
- Net income[3] of $30.6 million compared to $17.7 million for the same period in 2014
- Cash flows from operating activities from continuing activities[4] of $147.6 million or $0.51 per share[2] compared to $120.7 million or $0.44 per share[2] for the same period in 2014
- Acquisition of Orbis Gold Limited, which includes the Natougou project
- Bought deal of common shares for $46.5 million
- Long-term debt of $90 million
- Successful replacement of the SAG mill shell
- Recipient of two prizes for community-based development in Africa

FOURTH QUARTER 2015 IN REVIEW

- Gold production of 57,500 ounces, a 7% decrease compared to the same period in 2014
- Total cash cost[2] of $493 per ounce sold and all-in-sustaining cost[2] of $719 per ounce sold
- Gold sales of $72.5 million, an 8% decrease compared to the same period in 2014
- Operating income of $12.5 million compared to $14.9 million for the same period in 2014
- Net income from continuing operations attributable to equity shareholders of $0.5 million or nil per share[2] compared to $4.6 million or $0.02 per share[2] for the same period in 2014
- Adjusted net income from continuing operations attributable to equity shareholders[2] of $3.3 million or $0.01 per share[2] compared to $9.9 million or $0.04 per share[2] for the same period in 2014
- Net income[3] of $1.8 million compared to $5.3 million for the same period in 2014
- Cash flows from operating activities from continuing operations[4] of $39.4 million or $0.13 per share[2] compared to $40.4 million or $0.15 per share[2] for the same period in 2014

[1] This statement is forward-looking. For more information on forward-looking statements, note 24.
[2] Total cash cost, all-in sustaining cost, adjusted net income attributable to equity shareholders, adjusted basic earnings per share and operating cash flows per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures from continuing operations" section of this MD&A, note 22.
[3] From continuing operations.
[4] Cash flows from operating activities from continuing operations exclude changes in non-cash working capital items.

2015 Objectives	2015 Achievements
Deliver a solid operational performance	
▪ Production guidance at Mana of 245,000-275,000 oz at a total cash cost[1] of $575-$605/oz	▪ Produced 255,900 oz at a total cash cost[2] of $493/oz ▪ Achieved eighth consecutive year of production guidance
▪ Established capital expenditures budget of $37 million	▪ Invested $39 million to move additional tonnes
▪ Maintain all-in sustaining cost[1] of between $715 and $750 per ounce	▪ Achieved all-in sustaining cost[2] of $645 per ounce
Maximize growth	
▪ Complete acquisition of Orbis including financing	▪ Successful acquisition of Orbis
▪ Explore the Mana sector and the Natougou project	▪ Promising drill results on the west sector of Natougou and on the footwall zone ▪ Drill results at Yama, south of Mana
▪ Launch of Natougou feasibility study	▪ Natougou feasibility study 90% complete and on budget at year-end 2015
Optimize and improve efficiencies	
▪ Replace the SAG mill shell in Q1 2015	▪ Successful replacement of SAG mill shell on time and on budget
▪ Through rigorous cost management	▪ Realized significant operational savings
▪ By trimming G&A expense to $15 million	▪ Reduced to $13.6 million in 2015

[1] Total cash cost and all-in-sustaining costs are non-IFRS financial performance measures with no standard definition under IFRS.

[2] Total cash cost and all-in-sustaining costs are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures from continuing operations" section of this MD&A, note 22.

2016 Outlook and Strategy[1]

Our relentless focus on generating cash flow resulted in the Corporation ending 2015 with $167.2 million in cash and cash equivalents. In 2016, we expect to deliver our cost and production guidance for the ninth consecutive year. We will leverage our expertise in West Africa to achieve permitting and construction start-up by year-end at Natougou. Given the quality and potential of our high-grade open-pit deposits, we remain strongly focused on their organic growth through near-pit exploration.

2016 Outlook

- Production of between 225,000 and 245,000 ounces of gold
- Total cash cost[2] of between $535 and $565 per ounce
- All-in sustaining cost[2] of between $720 and $760 per ounce
- Capital expenditures of $44.3 million at Mana
- Development capital expenditures of $10 million at Natougou
- Initial exploration budget of $11 million

Operations

The Mana mill should process a total of 2.5 million tonnes in 2016 at an average head grade of 3.25 g/t Au, with a gold recovery rate of 91%. This year, ore will be extracted equally from the high-grade deposits of Siou and Fofina. Mining is expected to resume in the Wona pit in 2017. Due to the mine sequence, the average ore grade for Siou in 2016 is estimated at 4.0 g/t Au. However, the average grade sourced from Siou in 2017 should reach 4.7 g/t Au.

2016 Mana Capital Expenditures

	$ millions
Sustaining capital	12.1
Stripping cost	28.4
Sustaining capital - 2015 Deferred	3.8
Total	**44.3**

The consolidated corporate general and administrative expense for 2016 is estimated at $13.5 million.

Assumptions

A number of assumptions were made in preparing the 2016 guidance, including:

- Price of gold: $1,050 US dollars per ounce
- Price of fuel: $1.07 US dollars per litre
- Exchange rate: $0.72 US dollars to the Canadian dollar
- Exchange rate: $1.09 US dollars to the Euro

Exploration

The 2016 initial exploration budget has been established at $11 million, of which some $6 million has been assigned to Natougou, $4.5 million to the Mana project and the remaining balance to other properties.

Significant upside potential exists within and surrounding the Natougou mineralized system, which remains open in all directions and at depth. The Corporation's focus is to expand resources at depth within the footwall zone of the Boungou Shear Zone in addition to the sector west of the deposit. Following completion of an airborne geophysical survey in 2015 within the framework of its regional program, our team will continue to explore areas within trucking distance of the Natougou deposit. The 2016 exploration program on Natougou (Tapoa Permit Group) will consist of 20,000 meters of reverse-circulation ("RC"), 60,000 meters of auger and 6,000 meters of core drilling. The auger campaign is principally planned for the regional drill programs.

Exploration efforts at Mana during the year will include 27,000 meters of RC drilling on three sectors located south of the Mana plant. A 27,000-meter auger drill program will also be carried out within trucking distance of the Mana mill.

[1] This section contains forward-looking statements. For more information on forward-looking statements, see note 24.
[2] Total cash cost and all-in-sustaining costs are non-IFRS financial performance measures with no standard definition under IFRS.

2. Natougou Feasibility Study Highlights[1]

On February 25, 2016, we announced the results of a positive feasibility study for our Natougou gold project, located 320 kilometers east of Ouagadougou in Burkina Faso. We also announced we had entered into a commitment letter with Macquarie Bank Limited ("Macquarie") to amend our existing long-term debt. All figures are on a 100% ownership basis.

- During the first three years
  - Average annual production of more than 226,000 ounces
  - Average total cash cost[2] of $283/oz and all-in sustaining cost[2] of $374/oz
  - Average head grade of 5.72 g/t at a gold recovery rate of 93.8%
- Production of some 1.2 million ounces at total cash cost[2] of $408/oz and a gold recovery rate of 92.9% over a projected mine life ("LOM") in excess of 7 years
- LOM all-in sustaining cost[2] of $518/oz including capitalized stripping and sustaining capital expenditures
- Maiden open pit mineral reserves of 9.6 million tonnes at a grade of 4.15 g/t Au for 1,276,000 ounces of contained gold
- Initial capital expenditures: $219 million, which includes $42 million in pre-stripping expenditures and an $18-million contingency
- Project economics (base case at $1,100/oz):
  - After-tax 5% NPV: $262 million
  - After-tax IRR: 48%
  - Payback period: 1.5 years
- Targeted construction start-up: year-end 2016
- Expected first gold pour: second half of 2018 with first year of full production in 2019

Gold Price Sensitivity Analysis

The Natougou project sensitivity analysis was performed using a $100 variation from the base case gold price as illustrated in the following table:

	$1,000 oz gold	Base Case $1,100 oz gold	$1,200 oz gold
After-tax 5% NPV ($M)	199	**$262**	$334
After-tax IRR (%)	38	**48**	58
Payback period (years)	1.7	**1.5**	1.3

Financing - Commitment Letter with Macquarie

We have entered into a commitment letter with Macquarie to amend our long-term debt. When combined with our cash position ($167 million as at December 31, 2015) and anticipated cash flow from ongoing operations, we estimate we have sufficient financial resources to bring Natougou into production.

Amendments to the existing long-term debt will include

- Long-term debt increased from $90 million to $120 million
- Incremental $60 million to be drawn down by June 30, 2017 ($30 million repaid on March 3, 2016)
- LIBOR + 4.75% per annum
- Quarterly repayments of $15 million, from first quarter of 2019 to fourth quarter of 2020
- No other payment scheduled in 2017 and 2018

Closing of the amended long-term debt is anticipated on or about March 31, 2016 and drawdown of the incremental $60 million is subject to conditions precedent customary in a transaction of this nature.

Project Milestones

- Complete permitting by year-end 2016
- Complete detailed engineering in fourth quarter of 2016
- Construction start-up by year-end 2016
- Ongoing exploration with the aim of increasing reserves and resources and enhancing economics as of the fourth year of the mine life

[1] This section contains forward-looking statements. For more information on forward-looking statements, see note 24.
[2] Total cash cost and all-in-sustaining costs are non-IFRS financial performance measures with no standard definition under IFRS.

2. Natougou Feasibility Study Highlights (continued)

Mineralization

The mineralization at the Natougou deposit is hosted within a flat lying shear zone that has a subtle anticlinal geometry. The host lithology consists of mafic to intermediate volcanic/intrusive stratigraphy. The mineralization is predominately hosted in a silicified shear zone, and a significant quantity of the gold occurs as visible gold. Sulphide minerals comprise pyrrhotite, pyrite, and minor arsenopyrite and chalcopyrite. A significant component of the gold is amenable to gravity recovery. Ninety-nine percent of the mineralization is contained in the fresh rock of the Natougou open pit deposit.

Mineral Reserves and Resources Estimates

The mineral reserves and resources estimates have been generated in accordance with the CIM Definition Standards for National Instrument 43-101 reporting. The resources estimate has been completed by Snowden Mining Industry Consultants and the mineral reserves estimates by AMC Mining Consultants (Canada) Ltd.

Our drilling, in conjunction with previous drilling, comprise a drill database of 174 diamond, 625 multi-purpose (RC pre-collar and core tail) and 550 reverse-circulation drill holes totalling 115,250 meters that supported the mineral reserves statement and the remaining mineral resources.

The open pit proven and probable mineral reserves estimate for the Natougou deposit totals 9,567,000 tonnes averaging 4.15 g/t Au for 1,276,000 ounces of contained gold. The mineral reserves were estimated based on a gold price of $1,100 per ounce and a corresponding cut-off grade of 1.07 g/t.

As at December 31, 2015, total proven and probable reserves for the Natougou deposit were as follows:

	Ore		
Reserves classification	Tonnage	Grade	Contained Gold
	tonnes	Au (g/t)	ounces
Proven	1,583,000	6.46	329,000
Probable	7,984,000	3.69	947,000
Total Proven + Probable	**9,567,000**	**4.15**	**1,276,000**

For further details, see the "2015 Reserves and Resources" section of this MD&A, note 5.

Mining Operations, Processing and Metallurgy

The Natougou deposit is projected to be mined utilizing contract-operated conventional open pit methods. Approximately 139 million tonnes of material will be mined from the open pit during the more than seven-year projected LOM. This will deliver 9.6 million tonnes of ore to the milling facility with an average head-grade of 4.15 g/t Au and 130 million tonnes of waste material (13.6:1 stripping ratio). Process grades for the initial three years average 5.72 g/t Au for an average annual production of more than 226,000 ounces of gold at low total cash and all-in-sustaining cost (see Table 1). The majority of the material from the deposit will be fresh rock, which will be drilled and blasted prior to loading.

Processing and Metallurgy

The Natougou process plant is designed to process 4,000 tonnes per day or 1.34 million tonnes of ore per year. The process plant will be based on a conventional crushing and grinding circuit, with the crushing circuit composed of a primary crusher and a coarse ore storage bin. Crushed ore will be conveyed to the grinding circuit using a SAG mill in closed circuit with a pebble crusher and a tower mill. The target grind is planned at 63 µm in order to achieve optimal gold recovery. A gravity circuit will be incorporated in the grinding circuit as about 30-50% of the gold is recoverable by gravity. The tailings storage facility located 1.5 kilometers east of the process plant will be fully lined with high-density polyethylene (HDPE). Recycled water will be optimised throughout the process to minimise the addition of fresh water to the process. LOM head grades for the process plant are expected to average 4.15 g/t with a gold recovery of 92.9%. The main reagents used in the plant are hydrated lime, cyanide, lead nitrate and oxygen. A power plant with an installed capacity of 15.4 MW is envisaged using HFO/LFO generators. The milling facility will require some 6.4 MW, and the SAG/tower mill/crusher grinding circuit approximately 4.9 MW.

2. Natougou Feasibility Study Highlights (continued)

Mining and Processing

The first gold pour from Natougou is expected to occur in the second half of 2018. Information on the first three years of production is provided below.

Table 1

Production, Years 1- 3

MINE SCHEDULE	Year 1	Year 2	Year 3
Ore mined (t)	1,714,444	1,712,439	2,120,648
Head grade (g/t)	5.01	4.55	4.68
Waste mined (t)	17,020,156	12,508,621	8,614,138
Capitalized stripping activity (t)	3,087,493	7,262,607	10,134,443
Operational stripping ratio	9.9	7.3	4.1
Total stripping ratio	11.7	11.5	8.8
PROCESSING SCHEDULE	**Year 1**	**Year 2**	**Year 3**
Ore processed	1,256,010	1,343,200	1,343,200
Head grade (g/t)	5.93	5.59	5.65
Recovery (%)	93.9%	93.7%	93.7%
Gold - recovered (oz)	224,918	226,100	228,502
Total cash cost /oz[1]	**319**	**304**	**227**
All-in sustaining cost /oz[1]	**380**	**406**	**337**

Project Operating Costs

The table below details the LOM cash operating cost per tonne processed[1] at Natougou, which is based on the LOM operational stripping ratio of 7.1:1 and excludes the capitalized stripping accounted for in the all-in sustaining cost.

	$ per tonne milled
Mining ($/t)	$20.28
Processing ($/t)	$19.51
G&A ($/t)	$4.94
Cash operating cost ($/t)[1]	**$44.73**

[1] Total cash cost, cash operating cost and all-in-sustaining costs are non-IFRS financial performance measures with no standard definition under IFRS.

2. Natougou Feasibility Study Highlights (continued)

Project Capital Expenditures

The initial estimated cost to bring the Natougou deposit into production is $219 million, inclusive of pre-stripping and contingency costs, as summarized below.

Initial Capital Expenditures	In millions of $
Indirect construction	13.6
Processing plant	42.3
Reagents and plant services	13.7
Infrastructure	41.8
Owner costs	15.8
EPCM[1] costs	15.9
Resettlement action plan	8.0
Initial supplies inventory	7.2
Plant & infrastructures subtotal	**158.3**
Pre-stripping	42.4
Contingency	18.7
Grand Total	**219.4**

Initial Capital Expenditures Breakdown per Year

In millions of $	2016	2017	2018
Initial capital expenditures	10.0	46.0	163.4

Environmental and Social Studies, Permitting and Community Relations

The permitting process for the Natougou project continues to advance with positive support of the local communities. An environmental study impact assessment and resettlement action plan were carried out for the project, both of which will be filed with the government of Burkina Faso in the second quarter of 2016.

Under the resettlement action plan, 165 concessions involving 900 inhabitants will be relocated and compensation will be paid for 813 hectares of farmland at total cost of $8 million.

We are committed to fostering an open dialogue with communities surrounding our deposits as part of our commitment to sustainable mining. Following a series of visits in 2015, the SEMAFO Foundation ("Foundation") has already enhanced access to fresh drinking water and improved sanitary conditions for the Natougou communities. The Foundation's priority for the area involves reinforcement of its educational capacity through construction and support of schools and the launch and equipping of agricultural projects with which to generate community revenue.

Assumptions

- Gold price of $1,100 per ounce
- Heavy fuel oil (HFO): $0.69 per liter
- Light fuel oil (LFO): $1.08 per liter
- Exchange rate: $0.72 US dollars to the Canadian dollar
- Exchange rate: $1.09 US dollars to the EURO
- NPV calculated using a discount rate of 5%
- Based on the 2015 Burkina Faso mining code

[1] Engineering, procurement and construction management ("EPCM").

3. Key Economic Factors

Price of Gold

During the year ended December 31, 2015, the price of gold, based on the London Gold Fix PM, fluctuated from a high of $1,296 to a low of $1,049 per ounce. The average market gold price in 2015 was $1,160 per ounce compared to $1,266 per ounce for the same period in 2014, representing a decrease of $106 or 8%.

	2015					2014
	Q4	Q3	Q2	Q1	YTD	YTD
(in dollars per ounce)						
Average London Gold Fix	**1,106**	1,124	1,192	1,218	**1,160**	1,266
Average realized selling price	**1,106**	1,119	1,198	1,221	**1,161**	1,257

Cost Pressures

We are affected by industry-wide pressures on development and operating costs. Since our mining activities are energy intensive, a change in fuel price can have a significant impact on our operations and associated financial results. As a benchmark for fuel costs, the Brent Crude price averaged $54 per barrel in 2015 compared to $100 per barrel in 2014.

We purchase our fuel exclusively from the government of Burkina Faso in FCFA, the local currency, at a price fixed by decree that reflects market price fluctuations within a time lag. The price fixed by decree was 643 FCFA (equivalent to $1.07) per litre as at December 31, 2015 compared to 739 FCFA (equivalent to $1.36) as at December 31, 2014. The decrease in the fuel price had a positive impact on our mining operation expenses in 2015.

Foreign Currencies

Our mining operation and exploration activities are carried out in West Africa. Accordingly, portions of our operating costs and capital expenditures are denominated in foreign currencies, in particular the Euro. The FCFA is fixed against the Euro.

During the year ended December 31, 2015, the US dollar was stronger relative to the Euro and the Canadian dollar when compared to the same period in 2014. As approximately 75% of our costs are nominated in foreign currencies other than the US dollar, the positive impact of the foreign exchange in 2015 positively impacted our total cash cost[1], all-in sustaining cost[1] and general and administrative cost.

Exchange rates are as follows:

	CAD / USD $		EUR / USD $	
	2015	2014	2015	2014
March 31 (closing)	**1.2683**	1.1053	**0.9310**	0.7259
June 30 (closing)	**1.2474**	1.0676	**0.8967**	0.7305
September 30 (closing)	**1.3394**	1.1208	**0.8959**	0.7919
December 31 (closing)	**1.3884**	1.1601	**0.9164**	0.8264
First quarter (average)	**1.2370**	1.1018	**0.8852**	0.7297
Second quarter (average)	**1.2290**	1.0900	**0.9047**	0.7287
Third quarter (average)	**1.3085**	1.0875	**0.8990**	0.7529
Fourth quarter (average)	**1.3365**	1.1359	**0.9126**	0.8009
Year (average)	**1.2777**	1.1038	**0.9004**	0.7530

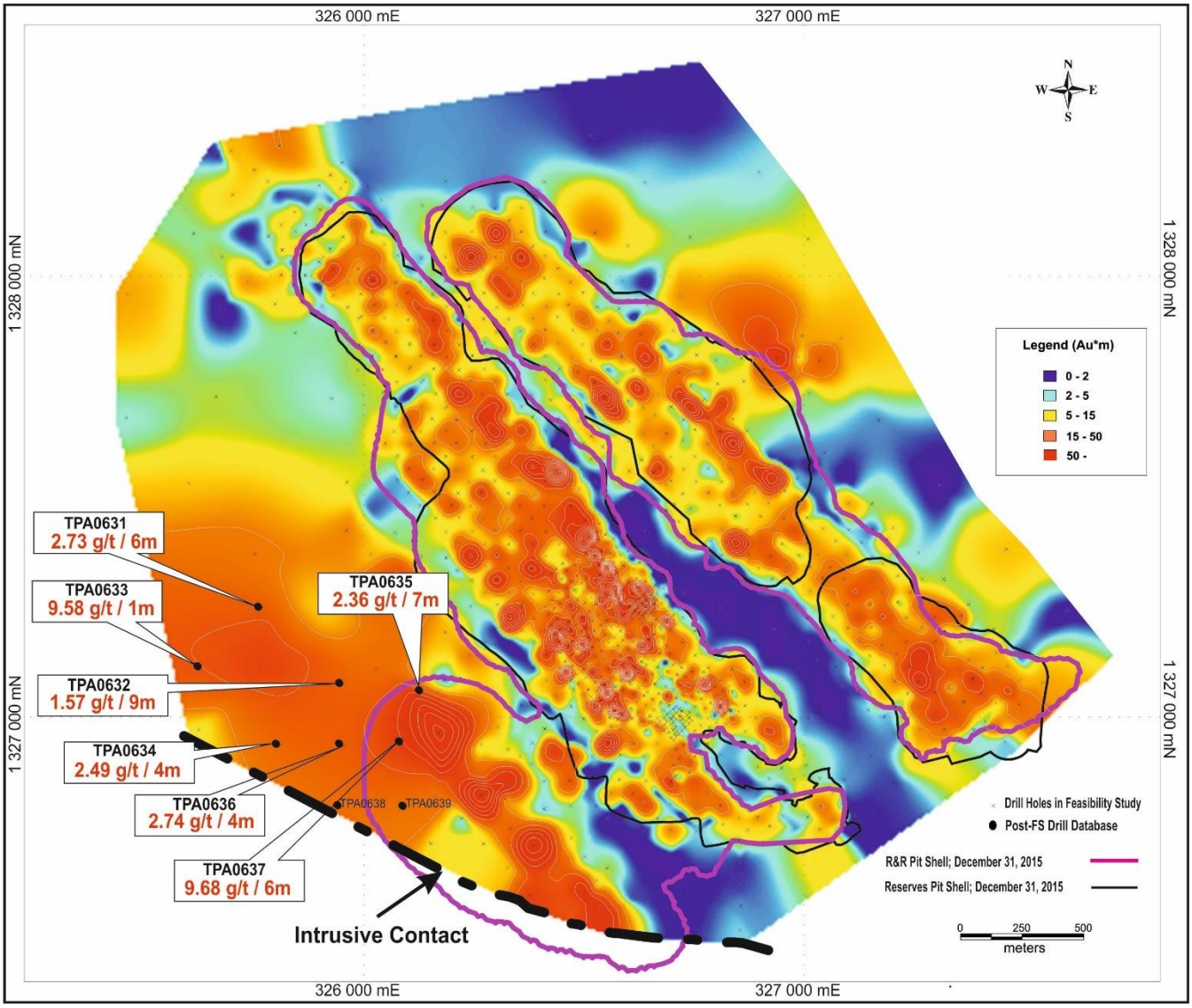
[1] Total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures from continuing operations" section of this MD&A, note 22.

4. Exploration Programs

Exploration Potential at Natougou

Prior to the acquisition of Orbis Gold Limited in 2015, the Natougou project had seen little near-pit or regional exploration. Following the acquisition, our priority was to conduct in-fill drilling with the view of delivering the feasibility study. Regional and proximal exploration, which only commenced a few months ago, totalled $1.3 million in 2015.

Significant upside potential therefore exists within and surrounding the Natougou mineralized system, which remains open in all directions and at depth. Our overall objective is to expand reserves and resources and to enhance economics of the project from year 4 onwards. In the short term, our aim is to expand resources at depth within the footwall zone of the Boungou Shear Zone in addition to the sector west of the deposit. The following figure locates the newly discovered southwest zone with its potential further extension.



Regional airborne geophysical surveying, involving MAG, VTEM and radiometric surveys, were completed in the fourth quarter of 2015 on the Boungou, Dangou and Pambourou permits. Interpretation of the results have enabled us to identify potential extensions of the Boungou Shear Zone and regional exploration targets for the 2016 program, which will be explored within trucking distance of the Natougou deposit. An initial budget of $6 million has been assigned to the 2016 exploration program, which will consist of 20,000 meters of reverse-circulation, 60,000 meters of auger and 6,000 meters of core drilling. The auger campaign is principally planned for the regional drill programs. Results are expected during the second quarter of 2016.

4. Exploration Programs (continued)

Exploration – Mana Project, Burkina Faso

Exploration programs in 2015 mainly furthered our understanding of the geology close to the Mana plant.

A total of 143,785 meters of auger, 50,530 meters of reverse-circulation ("RC") and 820 meters of diamond drilling was carried out on the Mana Project, principally on the Bombouéla, Fobiri II, Mana West and East permits. Despite some good intersection results, no continuity was encountered between holes.

2016 Exploration Campaign

Exploration efforts at Mana during the year will be carried out within trucking distance of the Mana plant. The program will include 27,000 meters of RC and 27,000 meters of auger drilling on three sectors located south of the Mana plant.

One of the areas, Yama, is located 23 kilometers to the south of the Mana plant and was identified from systematic auger drilling with follow-up ground proofing of the local geology from both surface outcrops and auger drill cuttings. Three exploration sections that were drilled yielded promising results including hole MRC15-4486, which returned 3.95 g/t Au over 15 meters at the collar of the hole. Three trenches were dug: the first one immediately above the RC intersection and the other two 20 meters and 40 meters to the south, respectively. Geological mapping and sampling results confirmed the favourable alteration and mineralization, returning in-trench values of up to 3.20 g/t over 22 meters. Following identification of the mineralized zone, two additional RC sections were drilled on 100 meters on both sides of the original drill section. The table below presents a number of results obtained from this program.

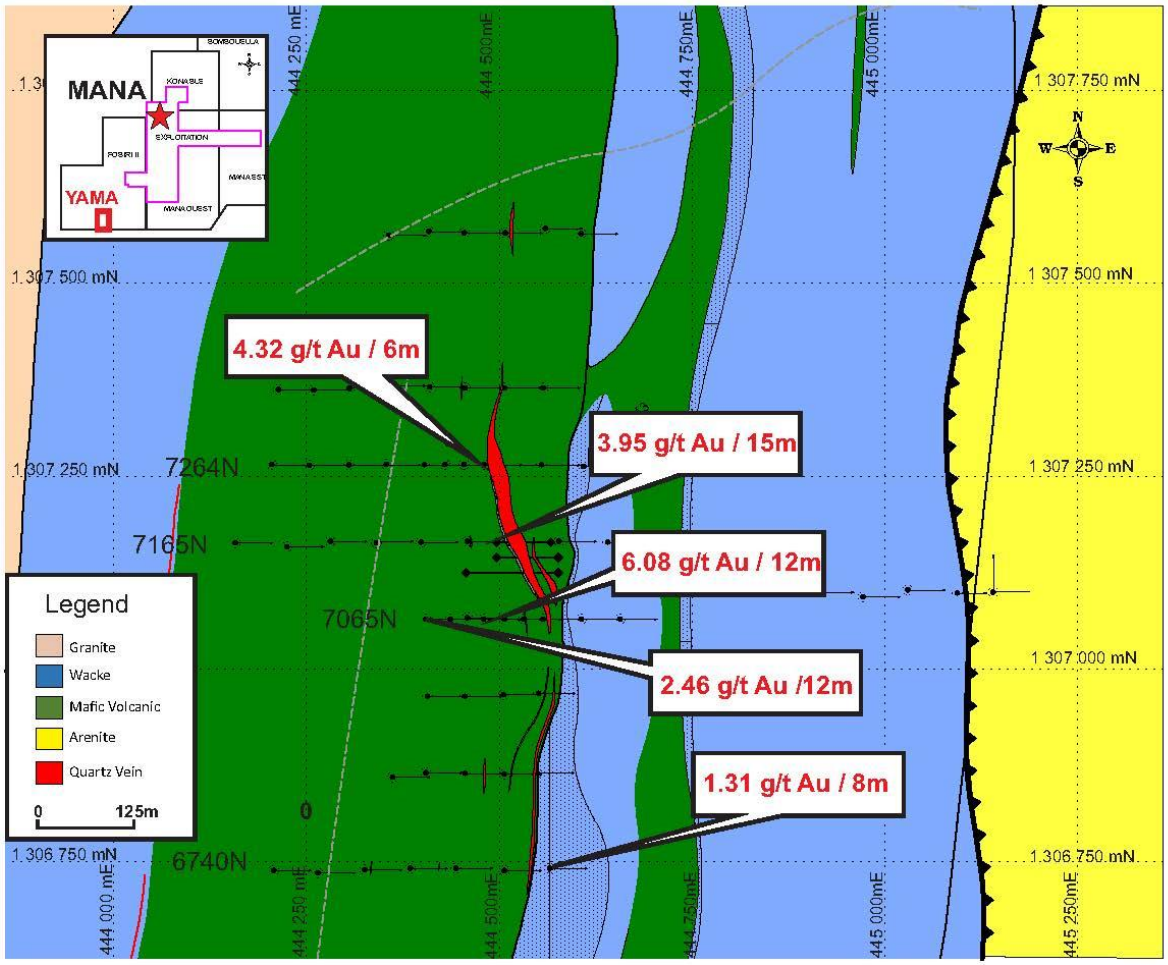
Yama Drilling Intersection Highlights

Drill hole	Section (N)	From	To	Au g/t	Length
MRC15-4547	1307264	34	40	**4.32**	**6.00**
MRC15-4552	1307264	28	32	**3.05**	**4.00**
MRC15-4485	1307165	41	53	**1.02**	**12.00**
MRC15-4486	1307165	0	15	**3.95**	**15.00**
MRC15-4537	1307064	15	21	**3.47**	**6.00**
MRC15-4538	1307064	43	49	**5.26**	**6.00**
MRC15-4539	1307064	62	72	**1.26**	**10.00**
MRC15-4540	1307064	90	102	**6.08**	**12.00**
MRC15-4541	1307064	89	106	**1.72**	**17.00**
MRC15-4541	1307064	112	124	**3.85**	**12.00**
MRC15-4542	1307064	135	147	**4.71**	**12.00**
WDC909	1307264	166.55	178.75	**2.46**	**12.2**
MRC15-4505	1306740	99	107	**1.31**	**8.00**

4. Exploration Programs (continued)

Exploration – Mana Project, Burkina Faso (continued)

Yama – Plan View



The figure above shows a plan view of the mineralized zone and drilling carried out up to late January 2016. To date, the north-south striking stratigraphy is characterized by steeply west-dipping mafic volcanics from west to east, followed by coarse to fine sediments with occasional interlayered mafic volcanics. Although much remains to be established, the deformation zone is subparallel to the stratigraphy with a mapped jog in the trenching area where the zone strikes NNW over a distance of approximately 100 meters. The deformation zone is associated with strong silica-sericite alteration and quartz veining. The core of the mineralization presents significant quartz veining and only minor amounts (less than 2%) of pyrite. No other sulfides have been noted to date. The mineralized zone varies in width, but can reach up to 15 meters. The mineralization, which has now been traced over 200 meters along strike and up to 130 meters vertically, may be hosted within stacking steps instead of a simple planar extension. In 2016, additional drilling is planned to better understand the controls and plunge of the Yama mineralization.

Exploration – Banfora Project

In 2015, we invested $5.4 million and completed 171,300 meters of auger drilling on 13 permits and 28,420 meters of RC drilling on six permits in the Banfora project. Results revealed a major northeast-trending 30-kilometer anomaly called the Mouro Trend. The RC drill campaign found some good intersections that lacked continuity.

In August, in light of the weak gold environment, we decided to cease exploration activities at Banfora in the third quarter in order to focus on areas within trucking distance of the Mana Mine and Natougou deposit.

5. 2015 Reserves and Resources[1]

As at December 31, 2015, consolidated proven and probable mineral reserves stood at 3,265,000 ounces of gold. Consolidated measured and indicated resources were 2,969,900 ounces.

Reserves & Resources - At a Glance

- Total mineral reserves and resources increased by 1.2 million ounces
- Reserve grade increased by 10% to 3.32 g/t Au
- Natougou's reserves stand at 1.3 million ounces
- Measured and indicated mineral resources increased by 8%

The changes in reserves are net of 2015 depletion due to production. All mineral resources reported are exclusive of mineral reserves. Reserves and resources were estimated using a gold price of $1,100 and $1,400 per ounce, respectively.

Mana

At the end of 2015, Mana's mineral reserves totaled 20,980,000 tonnes at an average grade of 2.95 g/t Au for 1,989,000 ounces, compared to 23,144,000 tonnes at an average grade of 3.01 g/t Au for 2,240,300 ounces the year prior. The decrease is mainly the result of depletion.

- Siou's proven and probable reserves contained 873,600 ounces at 4.16 g/t Au by year-end 2015. Measured and indicated resources at Siou totalled 2,705,000 tonnes at 2.27 g/t Au for 197,700 ounces. Inferred resources stand at 665,600 ounces at 3.43 g/t Au.
- Revised modelling added 23,800 ounces to Fofina. As at December 31, 2015, reserves at the Fofina deposit were 1,185,000 tonnes at an average grade of 2.72 g/t Au for a total of 103,700 ounces.
- In-fill drilling and modelling contributed an additional 25,000 ounces to the Wona-Kona pillar area. At the end of 2015, Wona-Kona reserves stood at 12,665,000 tonnes at a grade of 2.30 g/t Au for 935,100 ounces of contained gold. Measured and indicated resources were estimated at 1,804,800 ounces.

Table 2 details various pits' reserves and resources at Mana.

Tapoa (Natougou Deposit)

As a result of an extensive in-fill drilling program and up-to-date modelling on the Natougou deposit, the open-pit proven and probable mineral reserves estimate was established at 9,567,000 tonnes averaging 4.15 g/t Au for 1,276,000 ounces of contained gold. The mineral reserves were estimated based on a gold price of $1,100 per ounce and a corresponding cut-off grade of 1.07 g/t. In addition, measured and indicated resources amount to 206,000 ounces.

The mineral reserves and resources estimates have been generated in accordance with the CIM Definition Standards for National Instrument 43-101 reporting. The resources estimate has been completed by Snowden Mining Industry Consultants and the mineral reserves estimates by AMC Mining Consultants (Canada) Ltd.

Our drilling, in conjunction with previous drilling, comprise a drill database of 174 diamond, 625 multi-purpose (RC pre-collar and core tail) and 550 reverse-circulation drill holes totalling 115,250 meters that supported the mineral reserves statement and the remaining mineral resources.

Yactibo (Nabanga Deposit)

The Nabanga deposit contains 590,000 ounces in the inferred category.

Table 1 states our consolidated mineral reserves and resources as at December 31, 2015.

[1] The mineral reserves and resources were estimated as at December 31, 2015 in accordance with the definitions adopted by the Canadian Institute of Mining Metallurgy and Petroleum and incorporated into National Instrument 43-101 - Standards of Disclosure for Mineral Projects (NI 43-101). Mineral reserves and resources estimates for the Mana Mine were carried out by an in-house team under the direction of Michel Crevier P.Geo MScA, Vice-President, Exploration and Mine Geology and SEMAFO's Qualified Person, who has reviewed this section.

5. 2015 Reserves and Resources (continued)

Table 1 – Consolidated Reserves and Resources

PROPERTY	Mana[1,2,4,5,6]	Tapoa[1,2,4,5,6] (Natougou Project)	Yactibo[1,3,4,5,7] (Nabanga Project)	Total
MINERAL RESERVES				
Proven				
Tonnes	12,655,000	1,583,000		**14,238,000**
Grade (g/t Au)	3.15	6.46		**3.52**
Ounces	1,281,400	329,000		**1,610,400**
Probable				
Tonnes	8,325,000	7,984,000		**16,309,000**
Grade (g/t Au)	2.64	3.69		**3.16**
Ounces	707,600	947,000		**1,654,600**
TOTAL MINERAL RESERVES				
Tonnes	20,980,000	9,567,000		**30,547,000**
Grade (g/t Au)	2.95	4.15		**3.32**
Ounces	1,989,000	1,276,000		**3,265,000**
MINERAL RESOURCES (exclusive of reserves)				
Measured				
Tonnes	8,751,000	77,000		**8,828,000**
Grade (g/t Au)	1.67	1.84		**1.67**
Ounces	470,800	5,000		**475,800**
Indicated				
Tonnes	33,526,000	2,564,000		**36,090,000**
Grade (g/t Au)	2.13	2.44		**2.15**
Ounces	2,293,100	201,000		**2,494,100**
TOTAL M&I				
Tonnes	42,277,000	2,641,000		**44,918,000**
Grade (g/t Au)	2.03	2.42		**2.06**
Ounces	2,763,900	206,000		**2,969,900**
Inferred				
Tonnes	13,041,000	2,683,000	1,840,000	**17,564,000**
Grade (g/t Au)	2.82	3.99	10.00	**3.75**
Ounces	1,184,200	345,000	590,000	**2,119,200**

1 The Corporation indirectly owns a 100% interest in all of its permits, except for the permits held by SEMAFO Burkina Faso S.A. in which the Government of Burkina Faso holds a 10% interest.
2 Mineral reserves and resources at Mana and at Tapoa (Natougou project) were estimated using a gold price of $1,100 and $1,400 per ounce, respectively.
3 Mineral resources at Yactibo Permit Group (Nabanga project) were reported above a 5.0 g/t Au cut-off grade.
4 Rounding of numbers of tonnes and ounces may present slight differences in the figures.
5 All mineral resources reported are exclusive of mineral reserves.
6 As of December 31, 2015.
7 As of June 30, 2015.

5. 2015 Reserves and Resources (continued)

Table 2 – Mana, Burkina Faso[1,2,3]

DEPOSITS	DECEMBER 31, 2015								
	PROVEN RESERVES			PROBABLE RESERVES			TOTAL RESERVES		
	Tonnage	Grade (g/t Au)	Ounces[4]	Tonnage	Grade (g/t Au)	Ounces[4]	Tonnage	Grade (g/t Au)	Ounces[4]
WONA-KONA	6,107,000	2.35	460,700	6,558,000	2.25	474,400	12,665,000	2.30	935,100
NYAFÉ	263,000	5.85	49,400	4,000	5.02	700	267,000	5.84	50,100
FOFINA	1,146,000	2.74	100,800	39,000	2.30	2,900	1,185,000	2.72	103,700
SIOU	4,800,000	4.17	644,000	1,724,000	4.14	229,600	6,524,000	4.16	873,600
ROMPAD	339,000	2.43	26,500	—	—	—	339,000	2.43	26,500
TOTAL MANA	**12,655,000**	**3.15**	**1,281,400**	**8,325,000**	**2.64**	**707,600**	**20,980,000**	**2.95**	**1,989,000**

DEPOSITS	DECEMBER 31, 2015								
	MEASURED			INDICATED			TOTAL RESOURCES		
	Tonnage	Grade (g/t Au)	Ounces[4]	Tonnage	Grade (g/t Au)	Ounces[4]	Tonnage	Grade (g/t Au)	Ounces[4]
WONA-KONA	1,427,000	1.95	89,500	20,962,000	2.55	1,715,300	22,389,000	2.51	1,804,800
NYAFÉ	300,000	5.60	54,100	230,000	5.84	43,100	530,000	5.70	97,200
FOFINA	1,061,000	2.99	102,000	425,000	3.87	52,800	1,486,000	3.24	154,800
YAHO	4,654,000	1.05	157,200	9,895,000	0.99	316,200	14,549,000	1.01	473,400
FILON 67	26,000	2.72	2,300	9,000	3.59	1,000	35,000	2.93	3,300
FOBIRI	469,000	1.80	27,100	114,000	1.52	5,600	583,000	1.74	32,700
SIOU	814,000	1.47	38,600	1,891,000	2.62	159,100	2,705,000	2.27	197,700
TOTAL MANA	**8,751,000**	**1.67**	**470,800**	**33,526,000**	**2.13**	**2,293,100**	**42,277,000**	**2.03**	**2,763,900**

DEPOSITS	DECEMBER 31, 2015		
	INFERRED		
	Tonnage	Grade (g/t Au)	Ounces[4]
WONA-KONA	3,010,000	2.91	281,600
NYAFÉ	151,000	5.86	28,400
FOFINA	162,000	4.33	22,600
YAHO	471,000	1.45	22,000
FILON 67	6,000	6.32	1,100
FOBIRI	578,000	1.39	25,800
MAOULA	2,628,000	1.62	137,100
SIOU	6,035,000	3.43	665,600
TOTAL MANA	**13,041,000**	**2.82**	**1,184,200**

1 The Corporation indirectly owns a 100% interest in all of its permits, except for the permits held by SEMAFO Burkina Faso S.A. in which the Government of Burkina Faso holds a 10% interest.

2 Mineral reserves and resources were estimated using a gold price of $1,100 and $1,400 per ounce, respectively.

3 All mineral resources reported are exclusive of mineral reserves.

4 Rounding of numbers of tonnes and ounces may present slight differences in the figures.

6. Consolidated Results and Mining Operations from Continuing Operations

Operating Highlights from Continuing Operations

	2015	2014	Variation
Gold ounces produced	**255,900**	234,300	9%
Gold ounces sold	**258,600**	230,200	12%
(in thousands of dollars, except amounts per share)			
Revenues – Gold sales	**300,129**	289,349	4%
Mining operation expenses	**115,572**	136,892	(16%)
Government royalties	**12,046**	12,413	(3%)
Operating income	**66,066**	46,359	43%
Finance costs	**3,846**	1,646	134%
Foreign exchange loss	**8,161**	5,251	55%
Income tax expense	**24,254**	20,410	19%
Net income attributable to equity shareholders	**24,910**	15,812	58%
Basic earnings per share	**0.09**	0.06	50 %
Diluted earnings per share	**0.09**	0.06	50 %
Adjusted net income attributable to equity shareholders[1]	**40,956**	29,603	38%
Per share[1]	**0.14**	0.11	27 %
Cash flows from operating activities[2]	**147,561**	120,730	22%
Per share[1]	**0.51**	0.44	16%

2015 v. 2014

- Higher revenues in 2015 compared to 2014 are mainly due to a higher gold sales volume despite an 8% decrease in the average selling price. The higher grade from the Siou and Fofina pits only started at the end of the first quarter of 2014. The variation between gold ounces sold and gold ounces produced during 2015 is due to the timing of shipments.
- Mining operating expenses decreased in 2015 compared to 2014 as a result of lower fuel pricing, coupled with the strength of the US dollar relative to the Euro and lower throughput.
- The lower government royalties despite higher revenues are attributable to the 4% royalty rate applied in 2015 compared to royalty rates of 4% and 5% in 2014 as the rate varies according to the gold price.
- The increase in operating income in 2015 compared to 2014 is mainly due to higher revenues and lower mining operation expenses.
- During 2015, following the cancellation of a Credit Facility with Sprott Resource Lending Partnership, we wrote-off financing fees of $2,520,000, which were capitalized as other non-current assets in the consolidated financial position as at December 31, 2014.
- The foreign exchange loss amounted to $8,161,000 due to the revaluation of our monetary assets denominated in foreign currencies following the strengthening of the US dollar compared to December 31, 2014. However, these foreign exchange fluctuations had a positive impact on our operating costs.
- The increase in income tax expense in 2015 compared to 2014 was mainly due to higher taxable income.
- Cash flows from operating activities from continuing operations[2] reached $147,561,000 in 2015 due to the increase in operating income.

[1] Adjusted net income attributable to equity shareholders, adjusted basic earnings per share and operating cash flows per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures from continuing operations" section of this MD&A, note 22.

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

7. Operating Income by Segment

(in thousands)	2015 $	2014 $	Variation %
Mana, Burkina Faso	**82,154**	64,373	28%
Natougou, Burkina Faso	**—**	—	—
Other exploration	**—**	—	—
Corporate and other	**(16,088)**	(18,014)	11%
	66,066	46,359	43%

Composition of the reportable segments was modified in 2015 in order to add a new segment, Natougou, which represents the main property acquired through the acquisition of Orbis[1].

[1] Please refer to note 6 of the financial statements.

7. Operating Income by Segment (continued)

Mana, Burkina Faso

Mining Operations

	2015	2014	Variation
Operating Data			
Ore mined (tonnes)	**2,390,600**	2,190,400	9%
Ore processed (tonnes)	**2,399,100**	2,754,400	(13%)
Waste mined (tonnes)	**18,924,700**	19,201,500	(1%)
Operational stripping ratio	**7.9**	8.8	(10%)
Head grade (g/t)	**3.63**	2.90	25%
Recovery (%)	**91**	91	—
Gold ounces produced	**255,900**	234,300	9%
Gold ounces sold	**258,600**	230,200	12%
Capitalized Stripping Activity			
Wasted material – Siou (tonnes)	**12,293,800**	9,790,700	26%
Wasted material – Fofina (tonnes)	**2,927,800**	2,319,100	26%
Wasted material – Wona-Kona (tonnes)	**70,500**	1,119,200	(94%)
	15,292,100	13,229,000	16%
Financial Data (in thousands of dollars)			
Revenues – Gold sales	**300,129**	289,349	4%
Mining operations expenses	**115,572**	136,892	(16%)
Government royalties	**12,046**	12,413	(3%)
Depreciation of property, plant and equipment	**87,092**	71,437	22%
General and administrative	**2,408**	3,408	(29%)
Corporate social responsibility expenses	**857**	826	4%
Segment operating income	**82,154**	64,373	28%
Statistics (in dollars)			
Average realized selling price (per ounce)	**1,161**	1,257	(8%)
Cash operating cost (per tonne processed)[1]	**47**	49	(4%)
Total cash cost (per ounce sold)[1]	**493**	649	(24%)
All-in sustaining cost (per ounce sold)[1]	**645**	801	(19%)
Depreciation (per ounce sold)[2]	**337**	310	9%

[1] Cash operating cost, total cash cost and all-in sustaining cost are a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS financial performance measures from continuing operations" section of this MD&A, note 22.

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

7. Operating Income by Segment (continued)

Mana, Burkina Faso (continued)

Mining Operations (continued)

2015 v. 2014

- During 2015, more ore was mined compared to 2014 when the mine plan sequence was modified in order to reassign a portion of the Wona-Kona mining fleet to the development of the Siou and Fofina deposits in the first quarter of 2014.
- The decrease in throughput is due to the processing of ore through the secondary ball mill during the five-week shutdown of the SAG mill and the mining sequence.
- The increase in head grade in 2015 reflects the greater percentage of high-grade ore processed from the Siou and Fofina pits compared to 2014.
- The increase in gold ounces produced is a direct result of the 25% higher head grade.
- Higher revenues in 2015 compared to 2014 are mainly due to a higher gold sales volume despite an 8% decrease in the average selling price.
- Mining operating expenses decreased during 2015 compared to 2014 mainly as a result of the lower throughput, lower fuel price and the strength of the US dollar relative to the Euro.
- The lower government royalties despite higher revenues are attributable to the 4% royalty rate applied in 2015 compared to royalty rates of 4% and 5% in 2014 as the rate varies according to the gold price.
- The depreciation of property, plant and equipment increased by 22% as a result of the increase in gold ounces sold. The depreciation per ounce sold increased as a result of accelerated depreciation of the Wona-Kona capitalized stripping cost following the reduction of reserves at the beginning of 2015.
- The decrease in general and administrative expenses in 2015, compared to 2014, is the result of our cost control efforts and the positive impact of foreign currency fluctuations.
- Total cash cost[1] of $493 per ounce sold and all-in sustaining cost[1] of $645 per ounce sold at our Mana Mine, which represent year-over-year decrease of 24% and 19% respectively, are attributable to the higher head grade as well as the reduction in fuel pricing and the strength of the US dollar relative to the Euro.

Corporate Social Responsibility ("CSR")

For the year ended December 31, 2015, corporate social responsibility expenses, representing contributions made to SEMAFO Foundation, totalled $857,000 (2014: $826,000).

By investing almost half of its funds in the construction and support of schools, the Foundation maintained its focus in 2015 on the educational sector in the Mana area. The sanitary and health needs of the community were also prioritized through the construction of multi-functional platforms, boreholes and fresh water wells. In addition, beneficiaries of income-generating agricultural projects supported by the SEMAFO Foundation generated total income of $730,246 in the year.

In the eastern region that hosts the Natougou project, the Foundation enhanced sanitary conditions in several villages through the construction of a borehole, showers and latrines, in addition to distributing material goods and donating clothing for local sport tournaments.

In parallel, mine management supported the local population during the year through financial support for local customs, by improving roads surrounding the mine, by repairing water wells and by transporting patients to health facilities. Regular awareness sessions were also held in order to maintain an atmosphere of mutual confidence between the mine and administrative, religious and traditional authorities in the villages. In August, we welcomed a 34-person delegation from the Natougou communities, which was on a two-day mission to learn more about our experience in resettling villages and to visit SEMAFO Foundation's community development measures.

The year 2015 was a year of recognition for both the SEMAFO Foundation and for us relative to our community outreach. We had the honour of being awarded the grand prize for Corporate Social Responsibility of Mining Companies in Burkina Faso (RSE 2014) by the Groupe Redevabilité (Accountability Group), an advocacy group, in addition to a special award for Communities and Local Development. Later in the year, Forum Africa singled out SEMAFO Foundation's efforts in the communities through the grant of an award for excellence for its work in supporting women's entrepreneurship in Africa.

[1] Total cash cost and all-in sustaining cost are a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS financial performance measures from continuing operations" section of this MD&A, note 22.

7. Operating Income by Segment (continued)

Corporate and Other

(in thousands)	2015 $	2014 $
Depreciation of property, plant and equipment	**597**	758
General and administrative	**11,151**	14,024
Share-based compensation	**4,340**	3,232
Operating loss	**(16,088)**	(18,014)

General and Administrative

For the year ended December 31, 2015, general and administrative expenses totalled $11,151,000 compared to $14,024,000 for the same period in 2014. The decrease is mainly due to cost control efforts and to the strengthening of the US dollar against the Canadian dollar, which positively impacted our general and administrative cost.

Share-based Compensation

(in thousands)	2015 $	2014 $
Option plans	**—**	580
Restricted Share Unit Plan	**3,808**	2,652
Deferred Share Unit Plan	**532**	—
	4,340	3,232

Option Plans

During the year ended December 31, 2015, there were no stock option-related expenses because no new options were granted during the 2015 and outstanding options were fully amortized in 2014. In 2014, stock option-related expenses of $580,000 were recorded.

Restricted Share Unit Plan ("Unit Plan")

For the year ended December 31, 2015, our share-based compensation expense included a charge of $3,808,000 (2014: $2,652,000) for our Unit Plan. The $3,808,000 charge related to the Unit Plan comprised a $3,895,000 expense for restricted share units outstanding and an $87,000 credit due to a change in fair value of our share price.

Deferred Share Unit ("DSU") Plan

During 2014, we adopted a new DSU Plan. At the beginning of 2015, the Board, on the recommendation of the Human resources and corporate governance committee, decided that independent directors would receive DSUs instead of options. For the year ended December 31, 2015, our expense for DSUs outstanding represented $532,000 (2014: nil).

8. Other Elements of the Statement of Income

Finance Costs

During the year ended December 31, 2015, following cancellation of a Credit Facility, we wrote-off financing fees of $2,520,000, which had been capitalized as other non-current assets in the consolidated financial position as at December 31, 2014. This write-off explains the variation year over year.

Foreign Exchange Loss

For the year ended December 31, 2015, the foreign exchange loss was $8,161,000, which was due to the revaluation of our monetary assets denominated in foreign currencies following the overall strengthening of the US dollar in 2015.

Income Tax Expense

The increase in income tax expense in 2015 compared to the same period in 2014 was mainly due to higher taxable income.

8. Other Elements of the Statement of Income (continued)

Income Attributable to Non-Controlling Interests

(in thousands)	2015 $	2014 $
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A.	**5,643**	3,583
Government of Guinea – 15% in SEMAFO Guinée S.A.	**—**	9,691
	5,643	13,274

The non-controlling interest of the Government of Burkina Faso is directly linked to our subsidiary's net income. SEMAFO Guinée S.A. was disposed of on May 22, 2014.

9. Cash Flows

The following table summarizes our cash flow activities:

(in thousands)	2015 $	2014 $
Cash flows		
Operations	**147,561**	120,730
Working capital items	**4,756**	1,140
Operating activities	**152,317**	121,870
Financing activities	**130,449**	4,680
Investing activities	**(235,582)**	(71,300)
Change in cash and cash equivalents during the year from continuing operations	**47,184**	55,250
Change in cash and cash equivalents during the year from discontinued operations	**—**	(2,088)
Effect of exchange rate changes on cash and cash equivalents	**(7,946)**	(7,833)
Cash and cash equivalents – beginning of the year	**127,928**	82,599
Cash and cash equivalents – end of the year	**167,166**	127,928

Operating

For the year ended December 31, 2015, operating activities, before working capital items, generated cash flows of $147,561,000 compared to $120,730,000 mainly due to higher revenues and lower mining operation expenses compared to 2014. Working capital items generated liquidities of $4,756,000 in 2015, mainly due to lower trade and other receivables, income tax receivable and inventories, offset by lower trade payables and accrued liabilities and restricted share unit liabilities, while in 2014, liquidities of $1,140,000 were generated.

Further details regarding the changes in non-cash working capital items are provided in note 26 a) of the financial statements.

Financing

In the year ended December 31, 2015, cash flow from financing activities amounted to $130,449,000 compared to $4,680,000 in the same period in 2014.

Financing Fees

In 2014, the Corporation paid an amount of $1,020,000 in financing fees in order to secure a Credit Facility with Sprott Resource Lending Partnership. The Credit Facility was never drawn and was canceled in 2015.

Long-term Debt

On March 3, 2015, we entered into a credit agreement (long-term debt) amounting to $90,000,000 with Macquarie. We used the proceeds of the debt to fund the acquisition of Orbis. In consideration for the funding of the long-term debt, we paid Macquarie an amount of $1,200,000 recorded as transaction costs.

[1] Please refer to note 22 of the financial statements.

9. Cash Flows (continued)

Financing (continued)

Proceeds on Issuance of Share Capital
A total of 265,000 options were exercised during the year ended December 31, 2015, under the Share Option Plan ("Original Plan") for a cash consideration of $431,000. For the same period in 2014, a total of 2,941,000 options were exercised under the Original Plan for a cash consideration of $5,700,000.

On February 11, 2015, a syndicate of underwriters purchased on a "bought deal" private placement basis, 13,600,000 of our common shares at $2.97 (C$3.70) per common share for aggregate gross proceeds of $40,412,000 (C$50,320,000). The underwriters elected to exercise the over-allotment option to purchase an additional 2,040,000 common shares at the same price for total gross proceeds of $46,474,000 (C$57,868,000). Share issue expenses related to this private offering totalled $2,600,000 and were debited to retained earnings. The proceeds of our bought deal private placement were used solely for the acquisition of Orbis.

Dividends to Non-Controlling Interest
In 2015, dividends paid to non-controlling interest and related withholding taxes paid amounted to $2,656,000, compared to nil for the same period in 2014.

Investing

In 2015, we acquired Orbis, for which we paid a purchase price of $138,200,000 (A$178,169,000). In addition, an amount of $14,729,000 was disbursed, which included net liability and transaction costs of $1,621,000, for a total amount invested of $154,550,000.

Property, Plant and Equipment
Investments totalled $79,449,000 for the year ended December 31, 2015 compared to $68,591,000 for the same period in 2014. The following table summarizes our investing activities.

(in thousands)	2015 $	2014 $
Sustaining capital	**13,166**	14,878
Stripping cost	**26,260**	20,116
Subtotal sustaining capital expenditures	**39,426**	34,994
Siou development	**—**	8,541
Fofina development	**—**	5,071
Subtotal growth capital expenditures	**—**	13,612
Exploration expenditure	**20,906**	25,753
Capitalized borrowing costs	**5,117**	—
Feasibility study	**11,335**	—
	76,784	74,359
Variation in unpaid acquisitions of property, plant and equipment	**2,665**	(5,768)
Total	**79,449**	68,591

Sonabel Advance
During the year ended December 31, 2015, an advance of $566,000 was made to Sonabel compared to $2,068,000 for the same period in 2014.

Restricted Cash
During the year ended December 31, 2015, the $1,017,000 increase in restricted cash is due to the funding of our asset retirement obligation in Burkina Faso, compared to $641,000 in the same period in 2014.

10. Financial Instruments

The nature and extent of risks arising from financial instruments are described in note 17 of our financial statements.

11. Critical Accounting Estimates and Judgments

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustments to our financial statements are disclosed in note 5 to our financial statements.

12. New Accounting Standards Issued but not yet in Effect

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

13. Financial Position

As at December 31, 2015, we maintained a strong financial position with $167,166,000 in cash and cash equivalents. Further to our private placement and completion of our new long-term debt in the first quarter of 2015, our debt-equity ratio stands at only 15%.

With our existing cash balance, our forecasted cash flows from operations and the coming amendment to our long-term debt for an incremental credit facility, we are well positioned to fund all of our cash requirements for 2016, which relate primarily to the following activities:

- Complete detailed engineering and begin construction of Natougou project
- Exploration programs
- Capital expenditures

(in thousands)	As at December 31, 2015 $	As at December 31, 2014 $
Total current assets	**241,650**	223,524
Property, plant and equipment	**529,087**	382,388
Other non-current assets	**10,776**	12,390
Total assets	**781,513**	618,302
Current liabilities	**72,627**	58,047
Non-current liabilities	**103,023**	29,650
Total liabilities	**175,650**	87,697
Equity attributable to equity shareholders	**574,997**	503,682
Non-controlling interest	**30,866**	26,923

As at December 31, 2015, our total assets amounted to $781,513,000 compared to $618,302,000 as at December 31, 2014. The increase is mainly due to the addition of property, plant and equipment, resulting from the acquisition of Orbis for $154,550,000.

As at December 31, 2015, our liabilities totalled $175,650,000, compared to $87,697,000 as at December 31, 2014. The increase in our liabilities is mainly due to our new long-term debt of $90,000,000, which was used to fund the acquisition of Orbis.

14. Contractual Obligations

Asset Retirement Obligations
Our operations are governed by mining agreements that include the protection of the environment. We conduct our operations in such manner as to protect public health and the environment. We implement progressive measures for rehabilitation work during the operation, in accordance with our mining agreements, as well as closing-down and follow-up work upon closure of a mine.

The liability for asset retirement obligations as at December 31, 2015 was $6,676,000 (December 31, 2014: $5,897,000).

Government Royalties
In Burkina Faso, all shipments with gold spot prices lower or equal to $1,000 per ounce are subject to a royalty rate of 3%, a 4% rate is applied to all shipments with gold spot prices between $1,000 and $1,300 per ounce, and a 5% royalty rate is applied to all shipments with a gold spot price greater than $1,300 per ounce. In 2015, we were subject to a royalty rate of 4%, which was calculated using the retail market value of gold ounces sold at the time of shipment. For the year ended December 31, 2015, government royalties amounting to $12,046,000 (2014: $12,413,000) were paid to the Government of Burkina Faso.

Net Smelter Royalty ("NSR")
We are subject to an NSR ranging from 1% to 1.5% on various exploration properties. The NSR comes into effect when we enter into commercial production.

Purchase Obligations
As at December 31, 2015, purchase commitments totalled $2,414,000. In addition, on October 1, 2011, we entered into an agreement with Sonabel in Burkina Faso, pursuant to which we will advance funds for the construction of a high-voltage transmission line as described in note 10 of our financial statements. As at December 31, 2015, we are committed to advance a remaining amount of $1,189,000 (714,479,000 FCFA) to Sonabel with respect to this project.

Payments to Maintain Mining Rights
In the normal course of business, in order to obtain and maintain all the advantages of our mining permits, we must commit to investing a specific amount in exploration and development on the permits during their validity period. Moreover, we must make annual payments in order to maintain certain property titles. As at December 31, 2015, we were in compliance in all material respects with the obligations related to the ownership of our material permits.

15. Related Party Transactions

The related party transactions are disclosed in note 28 of our financial statements.

16. Risks and Uncertainties

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

Financial Risks

Fluctuation in Gold Prices
The profitability of our operations will be significantly affected by changes in the market price of gold. Gold production from mining operations and the willingness of third parties, such as central banks, to sell or lease gold affect the gold supply. Demand for gold can be influenced by economic conditions, gold's attractiveness as an investment vehicle and the strength of the US dollar. Other factors include interest and exchange rates, inflation and political stability. The aggregate effect of these factors is impossible to predict with accuracy. Gold prices are also affected by worldwide production levels.

In addition, the price of gold has on occasion been subject to very rapid short-term changes due to speculative activities. Fluctuations in gold prices may materially adversely affect our financial condition and results of operation.

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

16. Risks and Uncertainties (continued)

Financial Risks (continued)

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.

Interest Rate Fluctuations

As borrower of a long-term debt amounting to $90 million, repayable in three years, our operations are subject to interest rate fluctuations. The long-term debt bears interest at LIBOR plus 6.5%. Therefore, a fluctuation in LIBOR could materially adversely affect our financial condition and results of operation.

Access to Capital Markets

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

Operational Risks

Uncertainty of Reserves and Resources Estimates

Reserves and resources are estimates based on limited information acquired through drilling and various sampling methods. No assurance can be given that anticipated tonnages and grades will be achieved or that level of recovery will be realized. The ore grade actually recovered may differ from the estimated grades of the reserves and resources. Such figures have been determined based upon assumed gold prices and operating costs.

Future production could differ dramatically from reserves estimates for, among others, the following reasons:

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

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

Production and Cost Estimates

No assurance can be given that the intended or expected production schedules or the estimated cash costs and capital expenditures will be achieved. Failure to achieve production or cost estimates or material increases in costs could have an adverse impact on the Corporation's future cash flows, profitability, results of operations and financial condition. Many factors may cause delays or cost increases, including labour issues, disruptions in power, transportation or supplies, and mechanical failure. In addition, short-term operating factors, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular period. Furthermore, our activities may be subject to prolonged disruptions due to weather conditions. Hazards, such as unusual or unexpected formations, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material.

Our cost to produce an ounce of gold is further dependent on a number of factors, including the grade of reserves, recovery, plant throughput, the cost of commodities, general inflationary pressures and currency exchange rates. Our future performance may hence materially adversely differ from the estimated performance. As these factors are beyond our control, there can be no assurance that our cost will be similar from year to year

Nature of Mineral Exploration and Mining

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

16. Risks and Uncertainties (continued)

Operational Risks (continued)

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

Integration of Acquired Business
From time to time, we evaluate potential acquisition opportunities to support and strengthen our business and asset base. Recently, we acquired Orbis. The acquisition and integration of businesses such as Orbis involve a number of risks. Orbis or other future acquired businesses may not achieve expected results of operations and may require unanticipated costs and expenditures. Integration of businesses may also place additional pressures on our systems of internal control over financial reporting. If we are unable to successfully integrate Orbis or other newly acquired businesses or if Orbis or other acquired businesses fail to produce targeted results, it could materially adversely affect our financial condition and results of operation.

Limited Property Portfolio
Currently, our only mineral property in operation is our Mana mine in Burkina Faso, which includes the high-grade deposits of Siou and Fofina. Unless we acquire or develop additional mineral properties, any adverse development affecting our Mana property could materially adversely affect our financial condition and results of operation.

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

Water Supply
Our operations require significant quantities of water for mining, ore processing and related support facilities. Our operations in Africa may be in areas where water is scarce. Continuous production at our mines is dependent on our ability to access adequate water supply. Insufficient water supply, as a result of new regulations or otherwise, could materially adversely affect our financial condition and results of operation.

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

More particularly, Sonabel, the National Electricity Company of Burkina Faso, constructed a high-voltage transmission line that connects our Mana Mine to the National power grid. Accordingly, we cannot predict with certainty the extent of the line's reliability. Any failure in the reliability of such Sonabel power line could impair our ability to realize anticipated savings at Mana.

In addition, our profitability is affected by the market price and availability of commodities that are consumed or otherwise used in connection with our operations such as diesel, fuel, electricity, steel, concrete and chemical (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.

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

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

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

Title Matters

Title to mineral projects and exploration and exploitation rights involves certain inherent risks due to the potential for problems arising from the ambiguous history characteristics of mining projects. While we have no reason to believe that the existence and extent of any mining property in which we have an interest is in doubt, title to mining properties is subject to potential claims by third parties and no guarantees can be provided that there are no unregistered agreements, claims or defects which may result in our titles being challenged.

In addition, the failure to comply with all applicable laws and regulations, including failure to pay taxes and carry out and file assessment work within applicable time period, may invalidate title to all or portions of the properties covered by our permits and licenses.

Suppliers and Outside Contractors Risk

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

In addition, we may incur liability to third parties as a result of the actions of a contractor. The occurrence of one or more of these risks could have a material adverse effect on our financial condition and results of operation.

Competition

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

Qualified and Key Personnel

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

16. Risks and Uncertainties (continued)

Operational Risks (continued)

Labour and Employment Relations

We are dependent on our workforce to extract and process minerals. Our relations with our employees may be impacted by changes in labour relations which may be introduced by, among others, employee groups, unions and governmental authorities. Furthermore, some of our employees are represented by labour unions under collective labour agreements. We may not be able to satisfactorily renegotiate our collective labour agreements upon their expiration. In addition, existing labour agreements may not prevent a strike or work stoppage at our facilities 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, Hazards and Costs

All phases of our operations are subject to environmental regulation in the 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 financial condition and results of operations.

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 also not be insured.

In addition, natural resource companies are required to conduct their operations and rehabilitate the lands that they mine in accordance with applicable environmental regulations. Our estimates of the total ultimate closure and rehabilitation costs may be materially different from these actual costs. Any underestimated or unanticipated rehabilitation cost could materially adversely affect our financial condition and results of operations.

Insufficient Insurance

While we may obtain insurance against certain risks in such amounts as we consider adequate, available insurance may not cover all the potential risks associated with a mining company operations. We may also be unable to maintain insurance to cover insurable risks at economically feasible premiums and insurance coverage may not be available in the future or may not be adequate to cover any resulting loss. Moreover, insurance risks such as the validity of ownership of unpatented mining claims and mill 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.

Resource Nationalism

As African governments continue to struggle with deficits and depressed economies, the gold mining sector has been targeted to raise revenues. Governments are continually assessing the terms for a mining company to exploit resources in their country. If translated into applicable law, the trend in resource nationalism could materially adversely affect our financial condition and results of operation.

Surrounding Communities Relations

Natural resources companies face increasingly public scrutiny of their activities. We are under pressure to demonstrate that, as we seek to generate satisfactory returns to shareholders, other stakeholders including local governments and the communities surrounding our mines benefit from our commercial activities. The potential consequences of these pressures include reputational damages, lawsuits, increasing social investments obligations and pressure to increase taxes and royalties payable to local governments and surrounding communities. These pressures may also impair our ability to successfully obtain the permits and approvals required for our operations.

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

16. Risks and Uncertainties (continued)

Operational Risks (continued)

Reliance on Information Technology Systems

Our operations are dependent upon information technology systems. These systems are subject to disruption, damage or failure from a variety of sources. Failures in our information technology systems could translate into production downtimes, operational delays, compromising of confidential information or destruction or corruption of data. Accordingly, any failure in our information technology systems could materially adversely affect our financial condition and results of operation. Information technology systems failures could also materially adversely affect the effectiveness of our internal controls over financial reporting.

Litigation

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

Anti-corruption Laws

We operate in jurisdictions that have experienced governmental and private sector corruption to some degree. We are required to comply with the Corruption of Foreign Public Officials Act (Canada), which has recently seen an increase in both the frequency of enforcement and severity of penalties. Although we adopted a formal anti-corruption policy and our Code of conduct mandates compliance with anti-corruption laws, there can be no assurance that our internal control policies and procedures will always protect us from recklessness, fraudulent behavior, dishonesty or other inappropriate acts. Violation or alleged violation of anti-corruption laws could lead to civil and criminal fines and penalties, reputational damage and other consequences that may materially adversely affect our financial condition and results of operation.

17. Information on Outstanding Shares

As at March 8, 2016, our share capital comprised 294,321,041 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 our 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 March 8, 2016, stock options allowing its holders to purchase 4,848,177 common shares were outstanding.

18. Disclosure Controls and Procedures (DC&P) and Internal Controls over Financial Reporting (ICFR)

In accordance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation of the effectiveness of our disclosure controls and procedures ("DC&P") and our internal control over financial reporting ("ICFR") was conducted. Based on this evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that DC&P and ICFR were effective as of the year ended December 31, 2015, and that, as a result, ICFR design provides reasonable assurance that material information relating to us 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 we must present in our annual documents, our interim documents or in other documents we file or submit under securities regulations is recorded, processed, condensed and presented within the time frames prescribed by this legislation. Furthermore, ICFR design provides reasonable assurance that our financial information is reliable and that our 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 quarter ended December 31, 2015.

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[1] Cash operating cost, total cash cost, all-in sustaining cost, adjusted net income attributable to equity shareholders, adjusted basic earnings per share and operating cash flows per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures from continuing operations" section of this MD&A, note 22.

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

19. Quarterly Information

	2015					2014				
	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
(in thousands of dollars, except for amounts per share)										
Results from continuing operations										
Revenues – Gold sales	74,016	81,115	72,523	72,475	**300,129**	38,473	87,761	84,524	78,591	289,349
Operating income (loss)	11,207	22,824	19,486	12,549	**66,066**	(14,679)	20,665	25,500	14,873	46,359
Net income (loss)	(7,849)	22,115	14,491	1,796	**30,553**	(13,565)	14,916	12,726	5,318	19,395
Attributable to:										
- Equity shareholders	(8,114)	19,719	12,829	476	**24,910**	(12,943)	12,974	11,172	4,609	15,812
- Non-controlling interests	265	2,396	1,662	1,320	**5,643**	(622)	1,942	1,554	709	3,583
Basic earnings (loss) per share	(0.03)	0.07	0.04	—	**0.09**	(0.04)	0.05	0.04	0.02	0.06
Diluted earnings (loss) per share	(0.03)	0.07	0.04	—	**0.09**	(0.04)	0.05	0.04	0.02	0.06
Cash flows from operating activities[1]	32,553	40,748	34,830	39,430	**147,561**	2,142	37,618	40,554	40,416	120,730
Total results										
Net income (loss)	(7,849)	22,115	14,491	1,796	**30,553**	(15,998)	15,701	12,726	5,318	17,747
Attributable to:										
- Equity shareholders	(8,114)	19,719	12,829	476	**24,910**	(14,330)	3,022	11,172	4,609	4,473
- Non-controlling interests	265	2,396	1,662	1,320	**5,643**	(1,668)	12,679	1,554	709	13,274
Basic earnings (loss) per share	(0.03)	0.07	0.04	—	**0.09**	(0.05)	0.01	0.04	0.02	0.02
Diluted earnings (loss) per share	(0.03)	0.07	0.04	—	**0.09**	(0.05)	0.01	0.04	0.02	0.02
MANA										
Operating data										
Ore mined (tonnes)	749,800	540,100	541,200	559,500	**2,390,600**	467,200	617,700	516,900	588,600	2,190,400
Ore processed (tonnes)	537,300	600,900	618,300	642,600	**2,399,100**	642,000	723,900	750,300	638,200	2,754,400
Head grade (g/t)	4.09	3.71	3.67	3.13	**3.63**	1.93	3.37	2.91	3.30	2.90
Recovery (%)	92	92	92	89	**91**	88	93	92	91	91
Gold ounces produced	65,200	66,000	67,200	57,500	**255,900**	35,100	72,700	64,700	61,800	234,300
Gold ounces sold	60,600	67,700	64,800	65,500	**258,600**	29,400	68,200	67,100	65,500	230,200
Statistics (in dollars)										
Average selling price (per ounce)	1,221	1,198	1,119	1,106	**1,161**	1,309	1,287	1,260	1,200	1,257
Cash operating cost (per tonne processed)[2]	54	46	47	42	**47**	52	48	47	51	49
Total cash cost (per ounce sold)[2]	528	471	485	493	**493**	1,088	602	555	596	649
All-in sustaining cost (per ounce sold)[2]	646	604	616	719	**645**	1,410	723	704	700	801
Depreciation (per ounce sold)[3]	396	328	296	331	**337**	441	269	269	337	310

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

2 Cash operating cost, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures from continuing operations" section of this MD&A, note 22.

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.

20. Fourth Quarter Financial and Operating Results from Continuing Operations

During the fourth quarter of 2015, we realized gold sales of $72,475,000 and an operating income of $12,549,000 compared to gold sales of $78,591,000 and an operating income of $14,873,000 in the same period in 2014. The decrease in our revenues is due to the decrease in the average selling price. The decrease in our operating income is due to lower gold sales, partially offset by lower mining operating expenses. Net income from continuing operations attributable to equity shareholders amounted to $476,000 or nil per share in December 31, 2015, compared to $4,609,000 or $0.02 per share in 2014 as a result of lower operating income and higher income tax expense. The increase in income tax expense during the fourth quarter of 2015 compared to the same period in 2014 was a result of higher taxable income.

Our cash operating cost per tonne processed decreased to $42 compared to $51 for the same period in 2014 as a result of lower stripping ratio combined with a reduction in fuel price and the strengthening of the US dollar relative to the Euro.

During the fourth quarter of 2015, our total cash cost[1] reached $493 per ounce sold compared to $596 per ounce sold in the same period in 2014, representing a year-over-year decrease of 17% as a result of a reduction in the cash operating cost per tonne processed.

Despite the decrease in our total cash cost[1], our all-in sustaining cost[1] amounted to $719 per ounce sold in the fourth quarter of 2015 compared to $700 per ounce sold in the same period in 2014 as a result of an acceleration in capitalized stripping activities in the Siou and Fofina pits.

21. Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at December 31, 2015.

22. Non-IFRS Financial Performance Measures from Continuing Operations

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:

	Year ended December 31,	
	2015	2014
Per tonne processed		
Tonnes of ore processed	2,399,100	2,754,400
(in thousands of dollars except per tonne)		
Mining operation expenses (relating to ounces sold)	127,618	149,305
Government royalties and selling expenses	(12,772)	(13,224)
Effects of inventory adjustments (doré bars and gold in circuit)	(2,267)	(281)
Operating costs (relating to tonnes processed)	112,579	135,800
Cash operating cost (per tonne processed)	**47**	49

[1] Cash operating cost, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures from continuing operations" section of this MD&A, note 22.

22. Non-IFRS Financial Performance Measures from Continuing Operations (continued)

Total Cash Cost

	Year ended December 31,	
	2015	2014
Per ounce sold		
Gold ounce sold	258,600	230,200
(in thousands of dollars except per ounce)		
Mining operation expenses	127,618	149,305
Total cash cost (per ounce sold)	**493**	649

All-in Sustaining Cost

All-in sustaining cost represents the total cash cost plus sustainable capital expenditures and stripping costs per ounce.

	Year ended December 31,	
	2015	2014
Per ounce sold		
Gold ounce sold	258,600	230,200
(in thousands of dollars except per ounce)		
Sustaining capital expenditure	39,426	34,994
Sustaining capital expenditure (per ounce sold)	152	152
Total cash cost (per ounce sold)	493	649
All-in sustaining cost (per ounce sold)	**645**	801

Operating Cash Flows per Share

	Year ended December 31,	
	2015	2014
(in thousands except per share)		
Cash flows from operating activities[1]	147,561	120,730
Weighted average number of outstanding common shares - basic	291,351	276,452
Operating cash flows per share	**0.51**	0.44

Adjusted Accounting Measures

	Year ended December 31,	
	2015	2014
(in thousands of dollars except per share)		
Net income from continuing operations attributable to equity shareholders as per IFRS	24,910	15,812
Foreign exchange loss	8,161	5,251
Deferred tax effect of currency translation on tax base	5,365	8,540
Write-off of financing fees	2,520	—
Adjusted net income from continuing operations attributable to equity shareholders	**40,956**	29,603
Weighted average number of outstanding shares	291,351	276,452
Adjusted basic earnings per share from continuing operations	**0.14**	0.11

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

23. Additional Information and Continuous Disclosure

This MD&A has been prepared as of March 8, 2016. Additional information on us is available through regular filings of press releases, financial statements and our Annual Information Form on SEDAR (www.sedar.com). These documents and other information about SEMAFO may also be found on our web site at www.semafo.com.

24. Forward-Looking Statements

[O/S] This MD&A contains forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and accordingly, actual results and future events could differ materially from those expressed or implied in such statements. You are hence cautioned not to place undue reliance on forward-looking statements. These forward looking statements include statements regarding our expectations as to the market price of gold, production targets, timetables, mining operation expenses, capital expenditures and mineral reserves and resources estimates. Forward-looking statements include words or expressions such as "committed", "evolve", "become", "maximize", "pursuing", "growth", "upside", "guidance", "objectives", "outlook", "strategy", "expect", "will", "initial", "should", "estimated", "assumptions", "expand", "projected", "targeted", "milestones", "forecasted", "coming", and other similar words or expressions. Factors that could cause future results or events to differ materially from current expectations expressed or implied by the forward looking statements include the ability to execute on our strategic focus, the ability to meet the annual average production targets at Natougou within the anticipated total cash costs and all-in sustaining costs, the ability to achieve the projected LOM, the ability to meet the targeted permitting process, initial capital expenditures, construction start-up, expected first gold pour and full year of production, the ability to bring Natougou into production with the combination of our cash position as at December 31, 2015, anticipated cash flow from production and the amended Macquarie long-term debt, the ability to close the Macquarie amended long-term debt and to meet the various conditions precedent to drawdown, the ability to expand Natougou resources at depth within the footwall zone of the Boungou Shear Zone, the ability to carry out our 2016 exploration program at Natougou and obtain results within anticipated schedules, the ability to execute an agreement relating to the mining of Natougou, the ability to meet the various objectives in terms of tonnes of ore to the milling facility, head grade and tonnes per day processed at the Natougou plant, LOM overall stripping ratio and operational stripping ratio, the ability to operate a power plant facility with an installed capacity of 15.4 MW using HFO/LFO generators, the ability to generate an after-tax internal rate of return (IRR) of 48% with a payback period of 1.5 years and to generate an after-tax NPV of $262 million, the accuracy of our assumptions, the ability to achieve our cost and production guidance for the ninth consecutive year, the ability meet our capital expenditures and exploration budgets guidance in 2016, 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 in filings made with the Canadian securities regulatory authorities available at www.sedar.com. 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.

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