SEMAFO Inc.

Management's Discussion and Analysis
December 31, 2016

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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 is advancing construction of the Natougou Project. SEMAFO's strategic focus is to maximize shareholder value by effectively managing its existing assets as well as pursuing organic and strategic growth opportunities.

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Corporation's business, strategy and performance, as well as how it manages risks and capital resources. This MD&A, prepared as of March 7, 2017, is intended to complement and supplement our Annual Audited Consolidated Financial Statements (the "financial statements") as at December 31, 2016 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. Financing and Operating Highlights

	2016	2015	2014
Gold ounces produced	**240,200**	255,900	234,300
Gold ounces sold	**240,600**	258,600	230,200
(in thousands of dollars, except amounts per ounce, per tonne and per share)			
From Continuing Operations			
Revenues – Gold sales	**300,483**	300,129	289,349
Operating income	**60,086**	66,066	46,359
Net income attributable to equity shareholders	**34,219**	24,910	15,812
Basic earnings per share	**0.11**	0.09	0.06
Diluted earnings per share	**0.11**	0.09	0.06
Adjusted operating income[1]	**70,989**	65,973	44,824
Adjusted net income attributable to equity shareholders[1]	**48,109**	40,863	28,068
Per share[1]	**0.15**	0.14	0.10
Cash flows from operating activities[2]	**142,222**	147,561	120,730
Per share[1]	**0.45**	0.51	0.44
Average realized selling price (per ounce)	**1,249**	1,161	1,257
Cash operating cost (per tonne processed)[1]	**43**	47	49
Total cash cost (per ounce sold)[1]	**548**	493	649
All-in sustaining cost (per ounce sold)[1]	**720**	645	801
From Discontinued Operations			
Net loss attributable to equity shareholders[3]	**—**	—	(11,339)
Total			
Net income attributable to equity shareholders	**34,219**	24,910	4,473
Basic earnings per share	**0.11**	0.09	0.02
Diluted earnings per share	**0.11**	0.09	0.02
Total assets	**895,276**	781,513	618,302

[1] Cash operating cost, total cash cost, all-in sustaining cost, adjusted operating income, 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" section of this MD&A, note 22.

[2] Cash flows from operating activities 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. Financing and Operating Highlights (continued)

Fourth Quarter Financial and Operating Highlights

	Three-month period ended December 31, 2016	2015	Variation
Gold ounces produced	**55,100**	57,500	(4%)
Gold ounces sold	**57,100**	65,500	(13%)
(in thousands of dollars, except amounts per ounce, per tonne and per share)			
Revenues – Gold sales	**69,137**	72,475	(5%)
Operating income	**4,806**	12,549	(62%)
Net income (loss) attributable to equity shareholders	**(4,949)**	476	—
Basic earnings per share	**(0.02)**	—	—
Diluted earnings per share	**(0.02)**	—	—
Adjusted operating income[1]	**10,554**	13,470	(22%)
Adjusted net income attributable to equity shareholders[1]	**7,899**	4,191	88%
Per share[1]	**0.02**	0.02	—
Cash flow from operating activities[2]	**30,362**	39,430	(23%)
Per share[1]	**0.09**	0.13	(31%)
Average realized selling price (per ounce)	**1,211**	1,106	9%
Cash operating cost (per tonne processed)[1]	**40**	42	(5%)
Total cash cost (per ounce sold)[1]	**571**	493	16%
All-in sustaining cost (per ounce sold)[1]	**694**	719	(3%)

See the "Fourth Quarter Financial and Operating Results" section of this MD&A for more details, note 20.

[1] Cash operating cost, total cash cost, all-in sustaining cost, adjusted operating income, 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. In 2016, adjusted operating income and adjusted net income attributable to equity shareholders exclude the non-cash impairment of property, plant and equipment of $8,913,000 related to the exploration and evaluation assets of the Banfora Zone, and a gain of $3,165,000 in share-based compensation expense related to the change in fair value of the share price. The adjusted net income attributable to equity shareholders also excludes a foreign exchange loss of $3,530,000 and a deferred tax effect of currency translation on tax base of $3,570,000.

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

2016 – THE YEAR IN REVIEW

- Achieved production and cost guidance for a ninth consecutive year
  - Gold production of 240,200 ounces, a 6% decrease compared to 2015
  - Total cash cost[1] of $548 per ounce sold and all-in-sustaining cost[1] of $720 per ounce sold, which represent year-over-year increases of 11% and 12%, respectively
- Gold sales of $300.5 million compared to $300.1 million in 2015
- Adjusted operating income[1] of $71.0 million compared to $66.0 million in 2015
- Adjusted net income attributable to equity shareholders[1] of $48.1 million or $0.15 per share[1] compared to $40.9 million or $0.14 per share[1] for the same period in 2015
- Cash flows from operating activities[2] of $142.2 million or $0.45 per share[1] compared to $147.6 million or $0.51 per share for the same period in 2015
- Amendment to long-term debt consisting of an incremental $60.0 million to be drawn by June 30, 2017
- Completion of a bought deal offering of common shares for aggregate gross proceeds of $90.8 million (C$115.1 million)
- Resumption of development of Wona North pit
- Recipient of four prizes for community-based development in Burkina Faso

Natougou

- Completion of positive feasibility study for Natougou Project
- Development on track with $17 million of the $219-million total budget spent at year-end 2016
- Receipt of mining permit
- Following commencement of construction, first gold pour is scheduled for the second half of 2018
- Detailed design and engineering 80% complete at the end of February 2017
- Inferred resources at Natougou increased to 754,000 ounces

FOURTH QUARTER 2016 REVIEW

- Gold production of 55,100 ounces compared to 57,500 ounces in 2015
- Gold sales of $69.1 million compared to $72.5 million in 2015
- Total cash cost[1] of $571 per ounce sold and all-in-sustaining cost[1] of $694 per ounce sold compared to $493 and $719, respectively, in 2015
- Adjusted operating income[1] of $10.6 million compared to $13.5 million in 2015
- Adjusted net income attributable to equity shareholders[1] of 7.9 million or $0.02 per share[1] compared to $4.2 million or $0.02 per share[1] in 2015
- Cash flows from operating activities[2] of $30.4 million or $0.09 per share[1] compared to $39.4 million or $0.13 per share[1] in 2015

[1] Total cash cost, all-in sustaining cost, adjusted operating income, 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" section of this MD&A, note 22.

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

2016 Objectives	2016 Achievements
Deliver a solid operational performance	
▪ Production guidance at Mana of 225,000-245,000 oz at a total cash cost[1] of $535-$565/oz	▪ Produced 240,200 oz at a total cash cost[1] of $548/oz ▪ Achieved ninth consecutive year of meeting production guidance
▪ Budget of $44.3 million for sustaining capital expenditures at Mana	▪ Invested $41.5 million
▪ Maintain all-in sustaining cost[1] of between $720 and $760 per ounce	▪ Delivered all-in sustaining cost of $720[1] per ounce
Maximize growth	
▪ Complete Natougou feasibility study	▪ Completed feasibility study with a strong internal rate of return (IRR) of 48% at $1,100/oz gold
▪ Fund development of Natougou project	▪ Fully funded through available credit facility of $120 million, cash position and anticipated cash flow from operations
▪ Complete permitting and begin construction at Natougou by year-end 2016	▪ Received permit and commenced construction in December 2016
▪ Achieve development capital expenditures of $10 million at Natougou	▪ $17 million spent as at December 31, 2016
▪ Maintain financial flexibility	▪ Enhanced financial flexibility through closing of a bought deal financing for $90.8 million (C$115.1 million)
▪ Initial exploration budget of $11.0 million	▪ Increased exploration budget following positive results on the West Flank Sector at Natougou
▪ Explore the Mana Sector and the Natougou Project	▪ Expanded West Flank Sector at Natougou and converted into inferred resources ▪ Maiden mineral reserves estimated at Yama
▪ Support communities in regions where we are present and offer improved quality of life	▪ SEMAFO Foundation constructed its largest water project to date in Wona village ▪ Constructed first school, borehole, showers, latrines and grain banks for Natougou communities
Optimize and improve efficiencies	
▪ By managing operational costs	▪ Increased use of local suppliers for transport of ore and for stripping activities ▪ Continued an employee management system and bonus system with cost reduction components
▪ By trimming G&A expense to $13.5 million	▪ G&A expense reached $14.0 million due to exchange rate

[1] 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" section of this MD&A, note 22.

2. 2017 Outlook and Strategy[1]

In 2017, we intend to mark a decade of operational excellence by delivering our production guidance at Mana again. The positive cash flow generated in 2016 provides a strong foundation on which to complete our 2017 capital spending program, including at Natougou. Successful progress in the construction of Natougou this year will position us for a period of higher production, lower costs and value creation for our shareholders. The strengthening of our exploration budget maximises the potential for increased mine lives at both Natougou and Mana.

2017 Outlook

	2017 Guidance
Gold production ('000 oz)	215 - 235
Total cash cost[2] ($/oz)	585 - 615
All-in sustaining cost[2] ($/oz)	795 - 835
Sustaining capital expenditures	**In millions of $**
Sustaining - Mana	12
Stripping - Mana	34
	46
Initial exploration budget	**23**

The general and administrative expense for 2017 has been forecast at $14 million.

Assumptions

A number of assumptions were made in preparing the 2017 guidance, including

- Price of gold: $1.150 US dollars per ounce
- Price of fuel: $0.98 US dollars per litre
- Exchange rate: $0.74 US dollars to the Canadian dollar
- Exchange rate: $1.06 US dollars to the Euro

Operations

In 2017, the Mana mill should process approximately 2.4 million tonnes at an average grade of 3.21 g/t Au, with an average gold recovery rate of 91%. A total of 1.9 million tonnes of ore will be extracted from the Siou, Fofina and Wona North pits at an average grade of 3.82 g/t Au, with the remaining balance sourced from low-grade material. The Fofina deposit is expected to be depleted in the first half of 2017.

Exploration

Initial exploration expenditure for 2017 has been set at $23 million, $15 million of which will be assigned to Natougou, $5 million to the Mana Project and the balance to other properties.

This year, the exploration program at Mana includes 80,000 meters of auger, 15,000 meters of reverse-circulation and 4,500 meters of core drilling with a particular focus on the Siou Sector. A provision of $1 million of the initial budget will be used to test the underground potential at Siou. Exploration activities at Mana include a discovery drilling program that has the aim of identifying near-site satellite deposits.

At Natougou, the 2017 budget includes a provision of $8.5 million for an infill drill program designed to convert current inferred resources on the West Flank Sector into the indicated category and $1.3 million, which has been earmarked for completing studies in order to evaluate a potential underground operation. The remainder of the Natougou program involves exploration drilling on both proximal and contiguous permits to the Natougou deposit.

[1] This section contains forward-looking statements. For more information on forward-looking statements, see note 25.
[2] Total cash cost and all-in-sustaining costs are non-IFRS financial performance measures with no standard definition under IFRS.

3. Key Economic Factors

Price of Gold

During the year ended December 31, 2016, the price of gold, based on the London Gold Fix PM, fluctuated from a high of $1,366 to a low of $1,077 per ounce. The average market gold price in 2016 was $1,251 per ounce compared to $1,160 per ounce in 2015, representing an increase of $91 or 8%.

	2016					2015
	Q4	Q3	Q2	Q1	Year	Year
(in dollars per ounce)						
Average London Gold Fix	**1,221**	1,335	1,260	1,183	1,251	1,160
Average realized selling price	**1,211**	1,337	1,262	1,187	1,249	1,161

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 $45 per barrel in 2016 compared to $54 per barrel in 2015.

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 with a time lag. The average price fixed by decree was 618 FCFA (equivalent to $1.04) per litre in the year ended December 31, 2016 compared to 691 FCFA (equivalent to $1.16) in 2015. The decrease in the fuel price had a positive impact on our mining operation expenses in 2016.

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, 2016, the US dollar was stable relative to the Euro and stronger relative to the CAD when compared to the same period in 2015. Therefore, the average foreign exchange had a minimal year-over-year impact on our total cash cost[1] and all-in sustaining cost[1].

Exchange rates are as follows:

	CAD / USD $		EUR / USD $	
	2016	2015	2016	2015
March 31 (closing)	**1.2971**	1.2683	**0.8779**	0.9310
June 30 (closing)	**1.3009**	1.2474	**0.9063**	0.8967
September 30 (closing)	**1.3117**	1.3394	**0.8898**	0.8959
December 31 (closing)	**1.3427**	1.3884	**0.9476**	0.9164
First quarter (average)	**1.3746**	1.2370	**0.9085**	0.8852
Second quarter (average)	**1.2890**	1.2290	**0.8848**	0.9047
Third quarter (average)	**1.3059**	1.3085	**0.8967**	0.8990
Fourth quarter (average)	**1.3354**	1.3365	**0.9284**	0.9126
Year (average)	**1.3262**	1.2777	**0.9046**	0.9004

[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" section of this MD&A, note 22.

4. Exploration Programs

Exploration Potential at Natougou

In 2016, we deepened our understanding of the Tapoa permit by completing an airborne magnetic campaign comprising magnetic and radiometric surveys over the entire property.

In parallel, a previous auger drill program had identified significant anomalies along a NE-trending regional structure dubbed Trend 045 that crossed the entire property to the south of the Natougou deposit. A series of lineaments are observed across the entire property within a two- to four-kilometer wide corridor. After combining results from mapping, soil geochemistry, auger drilling and trenching, a number of high-potential targets were identified. A drilling program is currently ongoing on the trend.

Boungou Shear Zone, Footwall and West Flank Sector

One of the objectives of the 2016 exploration program was to expand resources at depth within the footwall zone of the Boungou Shear Zone ("BSZ") in addition to the sector west of the deposit. The BSZ is a gently folded, northwest-plunging shear zone proximal to the current in-pit reserves. Potential extensions of the BSZ had been identified through the 2016 reverse-circulation ("RC") drill program. A portion of the RC drill program in the second quarter focused on defining the limits of the footwall zone below the BSW within the pit area in addition to extending the West Flank Sector of the BSZ. In the fourth quarter, 6,716 meters of RC drilling were completed at 80-meter hole spacing on the West Flank Sector. All drill holes intersected the BSZ at depths ranging from 30 to 180 meters vertically.

Based on the results, we brought the West Flank Sector into the inferred resources category, and now plan:

- To drill up the West Flank Sector in the first half of 2017 in order to convert the inferred resources into the indicated category;
- To evaluate the potential for an underground operation

The following table provides the highlights of the completed program:

TABLE 1

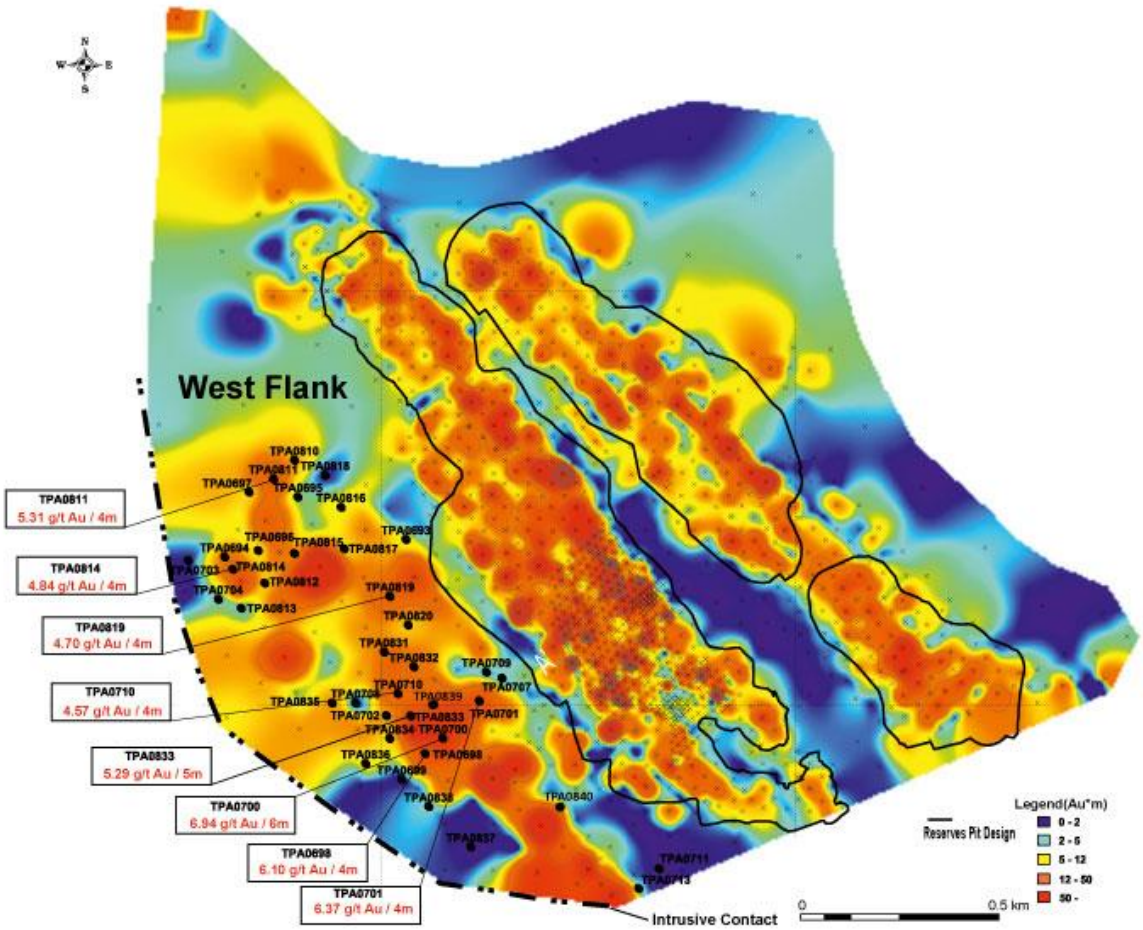
Hole No.	From (m)	To (m)	Length[1] (m)	Au[2] (g/t)
TPA0698	135	139	4	6.10
TPA0700	137	143	6	6.94
TPA0701	131	135	4	6.37
TPA0710	152	156	4	4.57
TPA0811	143	147	4	5.31
TPA0814	174	178	4	4.84
TPA0819	158	162	4	4.70
TPA0833	142	147	5	5.29

1. All lengths are along the hole axis, and the true thickness is over 80% of the given length.
2. All assay results are below the capping grade of 45 g/t Au.

As shown in Figure 1, the mineralization within the West Flank Sector remains open along the plunge towards the northwest where hole TPA0811 returned values of 5.31 g/t Au over 4 meters. Furthermore, an area of gold mineralization located on the East Flank will be further explored. In addition, the down plunge of the main mineralized trends north of the in-pit reserves remains open and underexplored. Drilling along the East Flank has begun while the proximal first phase of exploration drilling to the north of the in-pit reserves and within the West Flank North Extension Target was completed before the end of 2016.

4. Exploration Programs (continued)

Figure 1 - West Flank Sector



Exploration in 2017[1]

A total of $15 million has been assigned to explore the Natougou Project in 2017, $8.5 million of which has been allocated to an infill drilling program (40-meter by 40-meter hole spacing) with the aim of bringing the inferred resources on the West Flank Sector into the indicated resources category by the end of the first half of 2017. In addition, 60,000-meter auger and 70,000-meter RC drill programs have been initiated on the project, with the bulk of the RC program scheduled for the Natougou permit.

During the second half of 2017, we intend to complete studies in order to evaluate a potential underground operation accessible by a decline collared at the bottom of the open pit, particularly on the West Flank. An amount of $1.3 million has been earmarked for this purpose.

Mana Project

During the year, 44,100 meters of auger, 41,170 meters of RC and 675 meters of core drilling were carried out on the Mana sector. More than half of the 2016 RC program was carried out on the Yama sector, with the core drill program concentrating solely on the Fobiri 2 permit. As at December 31, 2016, open pit probable mineral reserves at Yama stood at 615,000 tonnes averaging 1.81 g/t Au for 35,800 ounces of contained gold.

A total of 44,100 meters in 3,785 holes of auger drilling was conducted on the Mana sector, with a third of the program dedicated to the Bombouéla Nord permit north of the Mana Mine. Despite a 5,355-meter follow-up RC drill program, results were disappointing and drilling was discontinued on the permit.

[1] This section contains forward-looking information. For more information on forward-looking information, see note 25.

4. Exploration Programs (continued)

Exploration in 2017

The initial exploration budget for Mana has been set at $5 million and will include 80,000 meters of auger, 15,000 meters of RC, and 4,500 meters of core drilling designed to confirm or expand mineralization within trucking distance of the Mana Mine. Accordingly, three auger drills are currently mobilised on the Mana Ouest and Fobiri 2 permits, and one multi-purpose drill is active on Siou deep. Approximately $1 million of the 2017 budget has been assigned to testing the underground potential at Siou.

Yactibo (Nabanga Project), Burkina Faso

In 2017, exploration activities will focus on investigating parallel structures in the Nabanga intrusive. The program, which includes 5,000 meters of auger and 7,000 meters of RC drilling, is primarily directed towards the Nabanga area.

Kongolokoro, Burkina Faso

In 2017, we plan to carry out 7,200 meters of RC and 1,200 meters of core drilling on the Kongolokoro Sector, which consists of four exploration permits totalling 972 square kilometers located in the south-west of Burkina Faso. The bulk of the drill programs will be carried out on the Bantou area in the Dynikongolo permit and over the Milpo permit where a small auger drill program was completed in the third quarter of 2016.

Korhogo Ouest, Côte d'Ivoire

Since acquisition of the Korhogo Ouest permit in 2015, we have completed surface exploration including an airborne geophysical survey and a 4,500 infill soil sampling program. The data set was used to build a geological model of the northern part of the Korhogo Ouest permit and to rank possible exploration targets, for both trenching and drilling. A 2,000-meter trenching program is currently underway with the aim of better identifying targets for the 6,000-meter RC drill program.

5. 2016 Reserves and Resources[1]

Reserves & Resources - Overview as of December 31, 2016

- Total proven and probable mineral reserves stand at 3.0 million ounces
- Measured and indicated mineral resources remain constant at 3.0 million ounces
- Inferred resources increased by 22% to 2.6 million ounces
- Natougou inferred resources increased by 119% to 754,000 ounces

At the end of 2016, total proven and probable reserves stood at 28.2 million tonnes averaging 3.31 g/t Au for 3.0 million ounces as compared to 30.5 million tonnes at 3.32 g/t Au for 3.3 million ounces at the end of 2015. The slight decrease in reserves is due to depletion as SEMAFO produced 240,200 ounces of gold in 2016.

All mineral resources reported are exclusive of mineral reserves. Gold price assumptions for reserves and resources are unchanged from 2015 at $1,100 and $1,400 per ounce, respectively. See the attached table for more details.

Mana

At year-end 2016, Mana's mineral reserves totalled 18.6 million tonnes at an average grade of 2.88 g/t Au for 1.7 million ounces, compared to 21.0 million tonnes at 2.95 g/t Au for 2.0 million ounces at year-end 2015. The 13% decrease in gold reserves is mainly driven by depletion from mining at the Siou and Fofina open pit deposits during the year, slightly offset by the addition of reserves at Yama.

- Siou's proven and probable reserves totalled 5.0 million tonnes averaging 4.29 g/t Au for 688,900 ounces of contained gold at the end of 2016. Inferred resources amounted to 5.8 million tonnes at 3.70 g/t Au containing 693,200 ounces.

- As at December 31, 2016, reserves at the Fofina deposit were almost depleted and ore extraction will end at the beginning of the second quarter of 2017.

- The mineral reserves estimate for Wona remains unchanged from 2015 as stripping of the Wona Nord pillar only commenced in the second half of 2016. At year-end 2016, reserves stood at 12.4 million tonnes at a grade of 2.30 g/t Au for 912,600 ounces of contained gold.

Table 2 presents the reserves and resources estimate at the Mana pits as at December 31, 2016.

Tapoa (Natougou Project)

As the project is currently under construction, the open-pit proven and probable mineral reserves estimate for Natougou remains unchanged from 2015 at 9.6 million tonnes averaging 4.15 g/t Au for 1.3 million ounces of contained gold.

Inferred resources at Natougou amounted to 6.3 million tonnes averaging 3.72 g/t Au for 754,000 ounces of gold, an increase of 119% compared to year-end 2015. The increase in inferred resources is mainly attributable to the expansion of the West Flank Sector adjacent to the open-pit deposit.

Yactibo (Nabanga Deposit)

Inferred resources at the Nabanga deposit remain unchanged at 1.8 million tonnes at 10.0 g/t Au for 590,000 ounces of contained gold.

Table 1 states our consolidated mineral reserves and resources as at December 31, 2016.

[1] The mineral reserves and resources were estimated as at December 31, 2016 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). Updates on the proven and probable mineral reserves and the measured, indicated and inferred mineral resources, with the exception of the reserves of the Natougou deposit, 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. For the mineral reserves estimate for the Tapoa (Natougou Project), please refer to the NI 43-101 Technical Report that was filed on SEDAR on March 28, 2016.

5. 2016 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	10,242,000	1,583,000		**11,825,000**
Grade (g/t Au)	3.09	6.46		**3.54**
Ounces	1,017,000	329,000		**1,346,000**
Probable				
Tonnes	8,400,000	7,984,000		**16,384,000**
Grade (g/t Au)	2.63	3.69		**3.15**
Ounces	710,600	947,000		**1,657,600**
TOTAL MINERAL RESERVES				
Tonnes	18,642,000	9,567,000		**28,209,000**
Grade (g/t Au)	2.88	4.15		**3.31**
Ounces	1,727,600	1,276,000		**3,003,600**
MINERAL RESOURCES (exclusive of reserves)				
Measured				
Tonnes	9,050,000	70,000		**9,120,000**
Grade (g/t Au)	1.47	1.90		**1.48**
Ounces	428,600	4,000		**432,600**
Indicated				
Tonnes	35,981,000	2,602,000		**38,583,000**
Grade (g/t Au)	2.04	2.48		**2.07**
Ounces	2,360,600	207,000		**2,567,600**
TOTAL M&I				
Tonnes	45,031,000	2,672,000		**47,703,000**
Grade (g/t Au)	1.93	2.46		**1.96**
Ounces	2,789,200	211,000		**3,000,200**
Inferred				
Tonnes	13,022,000	6,298,000	1,840,000	**21,160,000**
Grade (g/t Au)	2.95	3.72	10.00	**3.79**
Ounces	1,233,600	754,000	590,000	**2,577,600**

1 The Corporation indirectly owns a 100% interest in all of its permits, except for the permits held by SEMAFO Burkina Faso S.A. and SEMAFO Boungou S.A., respectively, 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, 2016.
7 As of June 30, 2015.

5. 2016 Reserves and Resources (continued)

Table 2 - Mana, Burkina Faso[1,2,3]

		DECEMBER 31, 2016								
		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]
Mana[1,2,3]	WONA-KONA	6,060,000	2.35	457,900	6,308,000	2.24	454,700	12,368,000	2.30	912,600
	NYAFÉ	263,000	5.85	49,400	4,000	5.02	700	267,000	5.84	50,100
	FOFINA	199,000	3.38	21,600	12,000	2.69	1,000	211,000	3.33	22,600
	SIOU	3,535,000	4.14	470,500	1,461,000	4.65	218,400	4,996,000	4.29	688,900
	YAMA	—	—	—	615,000	1.81	35,800	615,000	1.81	35,800
	ROMPAD	185,000	2.96	17,600	—	—	—	185,000	2.96	17,600
	TOTAL	**10,242,000**	**3.09**	**1,017,000**	**8,400,000**	**2.63**	**710,600**	**18,642,000**	**2.88**	**1,727,600**

	DEPOSITS	DECEMBER 31, 2016								
		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]
Mana[1,2,3]	WONA-KONA	1,419,000	1.98	90,200	21,696,000	2.55	1,778,400	23,115,000	2.51	1,868,600
	NYAFÉ	300,000	5.60	54,100	230,000	5.84	43,100	530,000	5.70	97,200
	FOFINA	412,000	3.67	48,600	309,000	4.04	40,200	721,000	3.83	88,800
	YAHO	5,738,000	0.91	168,500	11,636,000	0.88	330,800	17,374,000	0.89	499,300
	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	686,000	1.71	37,800	1,879,000	2.65	160,100	2,565,000	2.40	197,900
	YAMA	—	—	—	108,000	0.41	1,400	108,000	0.40	1,400
	TOTAL	**9,050,000**	**1.47**	**428,600**	**35,981,000**	**2.04**	**2,360,600**	**45,031,000**	**1.93**	**2,789,200**

	DEPOSITS	DECEMBER 31, 2016		
		INFERRED		
		Tonnage	Grade (g/t Au)	Ounces[4]
Mana[1,2,3]	WONA-KONA	3,463,000	2.96	329,600
	NYAFÉ	151,000	5.86	28,400
	FOFINA	88,000	3.73	10,500
	YAHO	223,000	0.78	5,600
	FILON 67	6,000	6.32	1,100
	FOBIRI	578,000	1.39	25,800
	MAOULA	2,628,000	1.62	137,100
	SIOU	5,834,000	3.70	693,200
	YAMA	51,000	1.42	2,300
	TOTAL MANA	**13,022,000**	**2.95**	**1,233,600**

1 The Corporation indirectly owns 90% of SEMAFO Burkina Faso S.A., which directly holds the interest in the Mana Mine reserves and resources.
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

Financial and Operating Highlights

	2016	2015	Variation
Gold ounces produced	**240,200**	255,900	(6%)
Gold ounces sold	**240,600**	258,600	(7%)
(in thousands of dollars, except amounts per share)			
Revenues – Gold sales	**300,483**	300,129	—%
Mining operation expenses	**119,050**	115,572	3%
Government royalties	**12,903**	12,046	7%
Depreciation of property, plant and equipment	**78,323**	87,689	(11%)
Share-based compensation	**6,295**	4,340	45%
Impairment of property, plant and equipment	**8,913**	—	—
Other	**14,913**	14,416	3%
Operating income	**60,086**	66,066	(9%)
Finance income	**(2,171)**	(748)	190%
Finance costs	**1,938**	3,846	(50%)
Foreign exchange loss	**1,144**	8,161	(86%)
Income tax expense	**17,908**	24,254	(26%)
Net income for the year	**41,267**	30,553	35%
Attributable to equity shareholders			
Net income	**34,219**	24,910	37%
Basic earnings per share	**0.11**	0.09	22%
Diluted earnings per share	**0.11**	0.09	22%
Adjusted amounts			
Adjusted operating income[1]	**70,989**	65,973	8%
Adjusted net income attributable to equity shareholders[1]	**48,109**	40,863	18%
Per share[1]	**0.15**	0.14	7%
Cash flows			
Cash flows from operating activities[2]	**142,222**	147,561	(4%)
Per share[1]	**0.45**	0.51	(12%)

[1] Adjusted operating income, 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" section of this MD&A, note 22.

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

6. Consolidated Results and Mining Operations (continued)

2016 v. 2015

- In 2016, the depreciation was lower compared to 2015 due to the decrease in gold ounces sold and the accelerated depreciation of the Wona-Kona capitalized stripping cost following the reduction of our reserves at the beginning of 2015.
- Higher share-based compensation expense in 2016 compared to 2015 is due to the increase in the fair value of our share price compared to December 31, 2015.
- During the year ended December 31, 2016, we recorded a non-cash impairment loss of $8,913,000 previously capitalized as "exploration and evaluation assets" within "property, plant and equipment". We have no plans to further develop the Banfora Zone as substantive expenditure on further exploration and evaluation of mineral resources in the Banfora Zone is neither budgeted nor planned. Consequently, the exploration rights costs and capitalized exploration and evaluation expenses for this property have been written off within the "other exploration" segment and have been included as "impairment of property, plant and equipment" in the consolidated statement of income.
- The increase of finance income in 2016 compared to 2015 is due to higher liquidities.
- The lower finance costs in 2016 compared to 2015 are due to the write-off of capitalized financing fees of $2,520,000 in 2015 following the cancellation of a previous credit facility.
- The foreign exchange loss of $1,144,000 compared to $8,161,000 in 2015 is due to the revaluation of our monetary assets denominated in foreign currencies. The 2016 decrease is caused by a less significant strengthening of the US dollar compared to 2015.
- The decrease in income tax expense in 2016 is due to a less significant strengthening of the US dollar in 2016 compared to 2015. As at December 31, 2016, the tax base of mining assets in foreign jurisdictions was therefore lower and decreased future tax deductions when converted into US dollars. These non-cash items amounted to an expense of $1,843,000 in 2016, compared to $5,365,000 in 2015. These amounts are not indicative of the economic value of the underlying tax pools that may be used to reduce cash income taxes in the future.

7. Operating Income by Segment

(in thousands)	2016 $	2015 $	Variation %
Mana, Burkina Faso	**86,775**	82,154	6%
Natougou, Burkina Faso	**—**	—	—
Other exploration	**(8,913)**	—	—
Corporate and other	**(17,776)**	(16,088)	(10%)
	60,086	66,066	(9%)

7. Operating Income by Segment (continued)

Mana, Burkina Faso

Mining Operations

	2016	2015	Variation
Operating Data			
Ore mined (tonnes)	**2,175,700**	2,390,600	(9%)
Ore processed (tonnes)	**2,753,300**	2,399,100	15%
Waste mined (tonnes)	**16,686,800**	18,924,700	(12%)
Operational stripping ratio	**7.7**	7.9	(3%)
Head grade (g/t)	**2.88**	3.63	(21%)
Recovery (%)	**94**	91	3%
Gold ounces produced	**240,200**	255,900	(6%)
Gold ounces sold	**240,600**	258,600	(7%)
Capitalized Stripping Activity			
Waste material – Siou (tonnes)	**12,263,200**	12,293,800	—
Waste material – Fofina (tonnes)	**2,820,300**	2,927,800	(4%)
Waste material – Wona (tonnes)	**3,252,400**	70,500	4,513%
	18,335,900	15,292,100	20%
Financial Data (in thousands of dollars)			
Revenues – Gold sales	**300,483**	300,129	—
Mining operations expenses	**119,050**	115,572	3%
Government royalties	**12,903**	12,046	7%
Depreciation of property, plant and equipment	**77,952**	87,092	(10%)
General and administrative	**2,843**	2,408	18%
Corporate social responsibility expenses	**960**	857	12%
Segment operating income	**86,775**	82,154	6%
Statistics (in dollars)			
Average realized selling price (per ounce)	**1,249**	1,161	8%
Cash operating cost (per tonne processed)[1]	**43**	47	(9%)
Total cash cost (per ounce sold)[1]	**548**	493	11%
All-in sustaining cost (per ounce sold)[1]	**720**	645	12%
Depreciation (per ounce sold)[2]	**324**	337	(4%)

[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" 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)

2016 v. 2015

- In 2016, the lower ore mined, compared to 2015, is due to the mine plan sequence.
- The increase in throughput in 2016 compared to 2015 is mainly due to the processing of ore through the secondary ball mill during the five-week shutdown of the SAG mill at the beginning of 2015 and to the low grade material processed in 2016. The latter results from a decision to take advantage of higher gold prices and available milling capacity in order to generate additional cash flow. We achieved this by adding 423,800 tonnes of low-grade material to the mix in 2016. Absent the impact of this decision, the head grade would have been 3.26 g/t.
- The year-over-year decrease in head grade in 2016 is attributable to the mine plan sequence and increased throughput from low-grade material.
- The decrease in gold ounces produced and sold is a direct result of the 21% lower head grade, partially offset by higher throughput.
- The depreciation of property, plant and equipment decreased as a result of the decrease in gold ounces sold. The depreciation[1] per ounce sold decreased by 4%, as a result of the accelerated depreciation of the Wona-Kona capitalized stripping cost in 2015 following the reduction of our reserves at the beginning of 2015, partially offset by the increase in the capitalized stripping costs in 2016.
- As expected, the cash operating cost[2] per tonne processed amounted to $43 in 2016 compared to $47 in 2015. This is due to a reduction in the fuel price and a positive volume effect from higher throughput, partially offset by the higher volume of tonnes transported.
- As expected, in 2016, the total cash cost[2] reached $548 per ounce sold compared to $493 in 2015. The increase is due to a lower head grade, partially offset by a lower cash operating cost per tonne. The increase in all-in sustaining cost[2] was anticipated and was mainly due to an increase in the stripping capitalized expenditure and to a higher total cash cost[2].

[1] 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.

[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" section of this MD&A, note 22.

7. Operating Income by Segment (continued)

Natougou, Burkina Faso[1]

Natougou Development

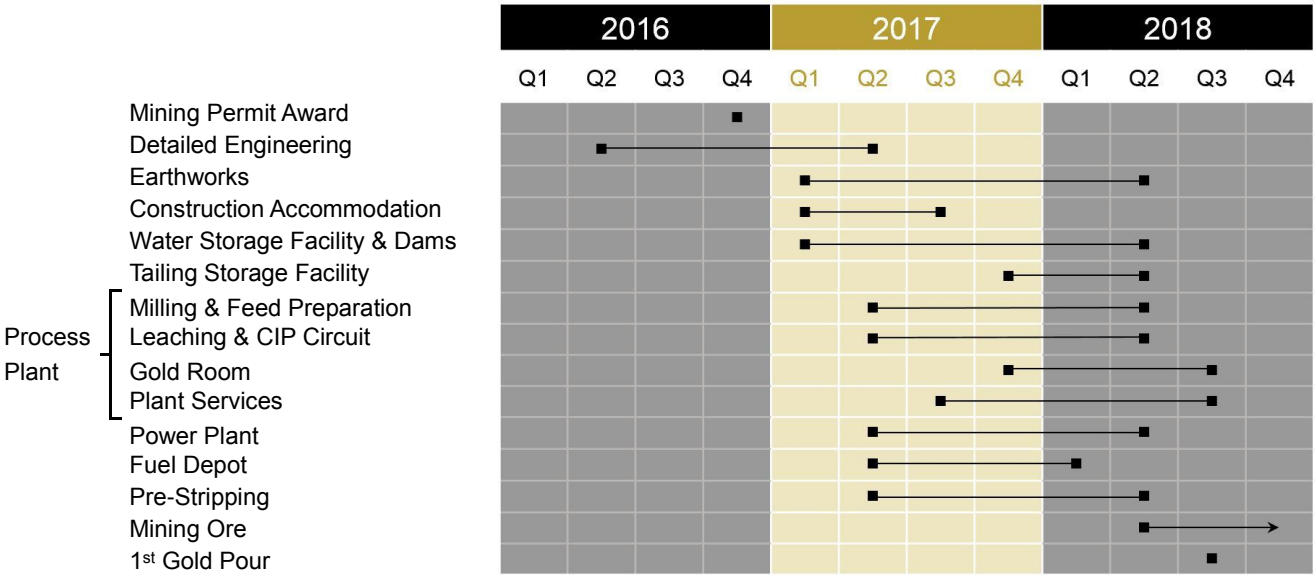
The Natougou high-grade open deposit is located 320 kilometers east of Ouagadougou, the capital of Burkina Faso. In 2016, we completed a feasibility study that includes a maiden reserves estimate of 9.6 million tonnes at an average grade of 4.15 g/t Au for 1,276,000 ounces of contained gold. The initial estimated capital expenditures are $219 million, and the first gold pour is expected to take place during the second half of 2018. During the first three years, average annual production is estimated at over 226,000 ounces at a total cash cost[2] of $283 per ounce and an all-in sustaining cost[2] of $374 per ounce. Project economics, using a gold price of $1,100 per ounce, indicate an after-tax net present value ($NPV_{5\%}$) of $262 million and an after-tax IRR of 48%. At a gold price of $1,200 per ounce, the $NPV_{5\%}$ increases to $334 million and the IRR to 58%.

In the fourth quarter, two key milestones for the Natougou Project were achieved: award of the mining permit and commencement of construction before year-end 2016. Achievement of these goals means that the project is in line with our expected time line. In addition, the following progress has been made:

- Development on time and on budget, with $17 million spent as at December 31, 2016
- Detailed design and engineering 80% complete at end of February 2017
- Earthworks have commenced including
  - Clearing, grubbing and removal of top soil
  - Building the water storage facility
- Procurement
  - 100% of long-lead items have been ordered
  - Suppliers selected for 70% of total contract value
- Hiring of key personnel for the construction team is well underway
- Compensation to inhabitants has been initiated in line with the resettlement action plan

The table below presents the construction milestones for the Natougou project:

Table 1 - Natougou Construction Milestones



[1] This section contains forward-looking statements. For more information on forward-looking statements, see note 25.
[2] Total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS.

7. Operating Income by Segment (continued)

Corporate Social Responsibility

For the year ended December 31, 2016, corporate social responsibility expenses, representing contributions made to SEMAFO Foundation, totalled $960,000 (2015: $857,000).

In line with the United Nations' Sustainable Development Goals, SEMAFO Foundation maintained its strong emphasis on education in 2016, investing half of its budget into supporting schools in Burkina Faso. In addition to building educational infrastructure, the foundation distributed 12,000 school kits and enhanced school standards through the construction of boreholes, latrines and hand-washing posts.

As part of its community support, 2016 saw SEMAFO Foundation implement its most important water initiative to date: the construction of a water supply system for a large village located close to the Mana Mine. Through a mixture of training and donations of small equipment, the foundation also assisted and encouraged groups operating multi-functional platforms to maximize their usage of the energy generator.

During the year, revenue-generating projects supported by SEMAFO Foundation were reinforced and expanded. Sesame increased to 1,955 producers in 42 villages in the Boucle du Mouhoun region. Production increased 35% year over year to 733 tonnes, and participants generated $500,000, representing a 4% year-over-year increase. The shea butter project, SEMAFO Foundation's second most-important project, received a filter press to help offset quality problems in its shea butter products. The year was also marked by the launch of a new poultry-raising project, the inauguration of a local honey store and the donation of equipment to the beekeeping project.

In the Eastern region that hosts the Natougou project, SEMAFO Foundation built a school and distributed school kits for the first time. To enhance the standard of living in communities, the foundation sunk a borehole and built latrines and shower during the year. In addition, grain banks were built in a number of villages to allow residents to become food self-sufficient. A first series of meetings was held with sesame producers with the aim of evaluating their situation and the best means of offering support.

In parallel, the mine community teams repaired local roads and water holes, evacuated sick patients to hospital, maintained dialogue with the communities with the aim of resolving complaints, helped fund traditional ceremonies in villages, and backed up the Foundation's activities.

For a second consecutive year, we were honoured to be recipient of the grand prize for Corporate Social Responsibility of Mining Companies in Burkina Faso (RSE 2016), which acknowledges not only the results of eight years of continuous community commitment, but also the dedication of our teams. This year, we garnered a prize for the environment in addition to prizes for female entrepreneurship, communities and local development.

7. Operating Income by Segment (continued)

Other Exploration

Impairment of Property, Plant and Equipment

In 2014, we took holdings on the Banfora Gold Belt based on geophysical information that demonstrated deep-seated faults shaping the greenstone belt comparable to the Mana area (Houndé Greenstone Belt). Results from geophysics, geological mapping, trenching, auger and reverse-circulation drilling do not support our belief that the properties host significant mineralized zones.

During the year ended December 31, 2016, we recorded a non-cash impairment loss of $8,913,000 previously capitalized as "exploration and evaluation assets" within "property, plant and equipment". We have no plans to further develop the Banfora Zone as substantive expenditure on further exploration and evaluation of mineral resources in the Banfora Zone is neither budgeted nor planned. Consequently, the exploration rights costs and capitalized exploration and evaluation expenses for this property have been written off within the "other exploration" segment and have been included as "impairment of property, plant and equipment" in the consolidated statement of income.

Corporate and Other

(in thousands)	2016 $	2015 $
Depreciation of property, plant and equipment	**371**	597
General and administrative	**11,110**	11,151
Share-based compensation	**6,295**	4,340
Segment operating loss	**(17,776)**	(16,088)

Share-based Compensation

(in thousands)	2016 $	2015 $
Restricted Share Unit	**5,485**	3,808
Deferred Share Unit	**691**	532
Performance Share Unit	**119**	—
	6,295	4,340

For the year ended December 31, 2016, our share-based compensation expense amounted to $6,295,000 (2015: $4,340,000). The $6,295,000 charge includes a $4,305,000 expense for outstanding units and a $1,990,000 expense due to an increase in the fair value of our share price as at December 31, 2016 compared to December 31, 2015.

Please refer to note 21 of the financial statements for more details.

8. Other Elements of the Statement of Income

Foreign Exchange Loss

The foreign exchange loss of $1,144,000 compared to $8,161,000 in 2015 is due to the revaluation of our monetary assets denominated in foreign currencies. The 2016 decrease is caused by a less significant strengthening of the US dollar compared to 2015.

Income Tax Expense

The decrease in income tax expense in 2016 is due to a less significant strengthening of the US dollar in 2016 compared to 2015. As at December 31, 2016, the tax base of mining assets in foreign jurisdictions was therefore lower and decreased future tax deductions when converted into US dollars. These non-cash items amounted to an expense of $1,843,000 in 2016, compared to $5,365,000 in 2015. These amounts are not indicative of the economic value of the underlying tax pools that may be used to reduce cash income taxes in the future.

Income Attributable to Non-Controlling Interest

For the year ended December 31, 2016, the income attributable to the non-controlling interest, which is the Government of Burkina Faso and represents 10% in SEMAFO Burkina Faso S.A., was $7,048,000 (2015: $5,643,000).

9. Other Comprehensive Income

For the year ended December 31, 2016, other comprehensive income amounted to $1,095,000 (2015: nil), which related to the increase in fair value of our investment in GoviEx Uranium Inc. ("GoviEx").

The investment in GoviEx was acquired in 2008. GoviEx is a publicly traded mineral resources company focused on the exploration and development of uranium properties in Africa. On July 11, 2016, GoviEx transferred its listing from the Canadian Securities Exchange ("CSE") to the TSX Venture Exchange ("TSX-V") and concurrently, delisted from the CSE. Prior to the delisting from the CSE, it was concluded that GoviEx's common shares were not quoted in an active market and its fair value was determined to be nil. Subsequent to its transfer to the TSX-V, it was concluded that GoviEx's common shares are quoted in an active market. Consequently, based on the last closing price observed on the TSX-V, we estimate the fair value of the investment in GoviEx to be $1,095,000 as at December 31, 2016.

10. Cash Flows

The following table summarizes our cash flow activities:

(in thousands)	2016 $	2015 $
Cash flows		
Operations	**142,222**	147,561
Working capital items	**6,558**	4,756
Operating activities	**148,780**	152,317
Financing activities	**51,270**	130,449
Investing activities	**(92,280)**	(235,582)
Change in cash and cash equivalents during the year	**107,770**	47,184
Effect of exchange rate changes on cash and cash equivalents	**(1,164)**	(7,946)
Cash and cash equivalents – beginning of the year	**167,166**	127,928
Cash and cash equivalents – end of the year	**273,772**	167,166

10. Cash Flows (continued)

Operating

2016 v. 2015

For the year ended December 31, 2016, operating activities, before working capital items, generated cash flows of $142,222,000 compared to $147,561,000 in 2015. Withholding taxes of $5,827,000 were disbursed during the second quarter of 2016 as a result of a dividend paid to the non-controlling interest and to SEMAFO (Barbados) Limited.

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

Financing

2016 v. 2015

In the year ended December 31, 2016, cash flow provided by financing activities amounted to $51,270,000, while $130,449,000 was provided in 2015.

Credit Facility with Macquarie Bank Limited ("Macquarie")

On March 3, 2015, we entered into a credit facility ("Original Credit facility") amounting to $90,000,000 with Macquarie. We used the proceeds of the Original Credit facility to fund the acquisition of Orbis Gold Limited ("Orbis"). In consideration for the Original Credit facility, we paid Macquarie an amount of $1,200,000 recorded as transaction costs.

In 2016, we reimbursed $30,000,000 of the Original Credit facility as per the repayment schedule. As at March 29, we executed an amendment to the Original Credit facility, which mainly consisted of an incremental $60,000,000 ("New Advance") in financing to be drawn down by June 30, 2017. In addition, we paid $259,000 in transaction costs in 2016 in connection with the New Advance. For more information on the long-term debt, refer to note 14 of our financial statements.

Equipment Financing

In May 2016, we purchased equipment for which a portion was financed by the supplier for an amount of $930,000 ("Equipment Financing"). For the year ended December 31, 2016, we reimbursed $129,000 on the Equipment Financing.

Bought Deal Financing

On February 11, 2015, a syndicate of underwriters purchased on a "bought deal" private placement basis, 15,640,000 of our common shares at $2.97 (C$3.70) per common share for aggregate 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.

On April 22, 2016, a syndicate of underwriters purchased, on a bought deal basis, 26,450,000 of our common shares, at a price of $3.43 (C$4.35) per common share for aggregate gross proceeds of approximately $90,762,000 (C$115,057,500). Share issue expenses related to this bought deal financing totalled approximately $4,787,000.

As at December 31, 2016, proceeds of our 2016 offering had been used as follows:

(in thousands)	Announced use of proceeds $	Actual use of proceeds, December 31, 2016 $
Exploration at Mana and Natougou	36,287	15,026
Flexibility at Natougou	22,679	—
Working capital and general corporate purposes	27,009	10,126
	85,975	**25,152**

Proceeds on Issuance of Share Capital from the Exercise of Options

A total of 2,427,000 options were exercised during the year ended December 31, 2016 for a cash consideration of $6,042,000. In 2015, a total of 265,000 options were exercised for a cash consideration of $431,000.

10. Cash Flows (continued)

Financing (continued)

Dividend to Non-Controlling Interest
In 2016, we paid a dividend of $10,359,000 to the non-controlling interest, the Government of Burkina Faso, which owns 10% of SEMAFO Burkina Faso S.A. In 2015, we paid a dividend of $2,656,000 to the Government of Burkina Faso.

Investing

In the year ended December 31, 2016, cash flow used in investing activities amounted to $92,280,000, compared to $235,582,000 in 2015.

Acquisition of Orbis
In the first quarter of 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 $90,890,000 for the year ended December 31, 2016 compared to $79,449,000 in 2015. The following table summarizes our investing activities.

(in thousands)	2016 $	2015 $
Sustaining capital	**11,057**	13,166
Stripping cost	**30,405**	26,260
Subtotal sustaining capital expenditures	**41,462**	39,426
Exploration expenditure	**19,152**	20,906
Development capital expenditure at Mana	**11,302**	—
Construction - Natougou project	**16,856**	—
Capitalized borrowing costs	**3,800**	5,117
Feasibility study - Natougou project	**1,158**	11,335
	93,730	76,784
Variation in unpaid acquisitions of property, plant and equipment	**(2,840)**	2,665
Total	**90,890**	79,449

Advance Made to Sonabel
In 2015, an advance of $566,000 was made to Sonabel compared to nil in 2016. The reimbursement of the advance is presented in the variation of non-cash working capital items, note 26 of our financial statements. Sonabel is the National Electricity Company in Burkina Faso.

Restricted Cash
For the year ended December 31, 2016, the $1,390,000 increase in restricted cash is mainly due to the funding of our asset retirement obligation in Burkina Faso, partially offset by the terms of the special compensation arrangement with the former President and Chief Executive Officer, which required the issuance of a letter of credit where cash was restricted. For the same period in 2015, the $1,017,000 increase was due to the funding of our asset retirement obligation in Burkina Faso.

11. Financial Instruments

The nature and extent of risks arising from financial instruments are described in note 18 of our financial statements.

12. 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 2016 financial statements.

13. New Accounting Standards Issued but not yet in Effect

The new accounting standards issued but not yet in effect are disclosed in note 4 to our 2016 financial statements.

14. Financial Position

As at December 31, 2016, we held $273,772,000 in cash and cash equivalents. With our existing cash balance and our forecasted cash flows from operations, we are well positioned to fund all of our cash requirements for 2017 to 2018, which relate primarily to the following activities:

- Construction of the Natougou Project
- Exploration programs
- Capital expenditures at Mana

We also have the option of drawing down the available $60,000,000 from the New Advance by June 30, 2017.

(in thousands)	As at December 31, 2016 $	As at December 31, 2015 $
Total current assets	**344,621**	241,650
Property, plant and equipment	**536,237**	529,087
Other non-current assets	**14,418**	10,776
Total assets	**895,276**	781,513
Current liabilities	**57,602**	72,627
Non-current liabilities	**102,091**	103,023
Total liabilities	**159,693**	175,650
Equity attributable to equity shareholders	**708,028**	574,997
Non-controlling interest	**27,555**	30,866

As at December 31, 2016, our total assets amounted to $895,276,000 compared to $781,513,000 as at December 31, 2015 as a result of the increase in our cash and cash equivalents resulting from the 2016 public bought deal offering for an amount of $85,975,000, net of transaction fees.

As at December 31, 2016, our liabilities totalled $159,693,000, compared to $175,650,000 as at December 31, 2015. The decrease in our liabilities is mainly due to the repayment of $30,000,000 of the Original Credit facility.

15. 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, 2016 was $7,650,000 (December 31, 2015: $6,676,000).

Government Royalties
In Burkina Faso, all shipments at 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 at gold spot prices between $1,000 and $1,300 per ounce, and a 5% royalty rate is applied to all shipments at a gold spot price greater than $1,300 per ounce.

In 2016, we were subject to royalty rates of 4% and 5% (2015: 4%), which was calculated using the retail market value of gold ounces sold at the time of shipment. For the year ended December 31, 2016, government royalties amounting to $12,903,000 (2015: $12,046,000) 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, 2016, purchase commitments totaled $28,936,000, of which $27,401,000 related to the Natougou project. In addition, we have selected several suppliers and are in the process of writing various contracts for the construction of the Natougou 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, 2016, we were in compliance in all material respects with the obligations related to the ownership of our material permits.

Minimum Operating Lease Payments
Future minimum operating lease payments are as follows:

	Less than one year $	Between one year and five years $	Total
Minimum lease payment	590,000	661,000	1,251,000

16. Related Party Transactions

The related party transactions are disclosed in note 28 to our 2016 financial statements.

17. 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.

17. Risks and Uncertainties (continued)

Financial Risks (continued)

Fluctuation in Gold Prices (continued)

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.

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 a borrower of a long-term debt, our operations are subject to interest rate fluctuations. The long-term debt bears interest at LIBOR plus 4.75%. 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 our 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.

17. Risks and Uncertainties (continued)

Operational Risks (continued)

Production and Cost Estimates (continued)

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

Whether a gold deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to 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.

Natougou Development

The development of the Natougou Project requires the construction and operation of an open-pit mine, processing plants and related infrastructure. Construction began at the end of 2016 and, as a result, SEMAFO is and will continue to be subject to the risks associated with the establishment of a new mining operation. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which we rely in connection with the construction of the Natougou Project, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay or failure in connection with the completion and successful operations of the Natougou Project could delay or prevent the construction process and completion as planned. There can be no assurance that the current construction plan for the Natougou Project will be successful.

The Natougou feasibility study contains estimates of future production, development plans, operating and capital costs, financial returns and other economic and technical estimates relating specifically to the Natougou Project. These estimates are based on a diversity of factors and assumptions and there can be no assurance that such production, plans, costs or other estimates will be achieved.

In addition, while the feasibility study incorporates what we believe is an appropriate contingency factor in cost estimates to account for these uncertainties, there is no assurance that the contingency factor will be adequate.

Actual costs and financial returns may vary importantly from the estimates depending on factors outside our control. There can be no assurances that the development of the Natougou Project and the ongoing operating costs associated with its development will not be significantly higher than anticipated. Any increase in costs or delay in the construction of the Natougou Project could materially adversely affect our financial condition and results of operations.

Integration of Acquired Business

From time to time, we evaluate potential acquisition opportunities to support and strengthen our business and asset base. In 2015, 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.

17. Risks and Uncertainties (continued)

Operational Risks (continued)

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.

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. These licenses and permits, however, are subject to change in various circumstances including as a result of a change in the interpretation of applicable laws or with respect to the exercise of a discretionary power. 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 operation.

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.

17. Risks and Uncertainties (continued)

Operational Risks (continued)

Political Risk (continued)
The possibility that the 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 our or neighboring countries as well as threats to the security of our mines and workforce due to political unrest, civil wars or terrorist attacks. Any such activity may disrupt our operations, limit our ability to hire and keep qualified personnel as well as restrict our access to capital.

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.

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 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. 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.

Mining production 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.

17. Risks and Uncertainties (continued)

Operational Risks (continued)

Environmental Risks, Hazards and Costs (continued)

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 mill sites, environmental pollution, waste disposal 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 for our 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.

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.

Cybersecurity threats

Our operations depend, in part, on how well we and our suppliers protect networks, technology systems and software against damage from a number of threats, including viruses, security breach and cyber-attacks. Cyber security include attempts to gain unauthorized access to data or automated network systems and the manipulation or improper use of information technology systems. The failure of our information technology systems or a component thereof could, depending on the nature of any such failure, materially adversely impact our reputation, financial condition and results of operations. Although we have not to date experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that we will not incur such losses in the future. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

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.

17. Risks and Uncertainties (continued)

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.

18. Information on Outstanding Shares

As at March 7, 2017, our share capital comprised 324,861,200 common shares issued and outstanding.

We have two stock option plans for our employees, officers, consultants and directors and those of our subsidiaries: the Share Option Plan ("Original Plan") and the 2010 Share Option Plan ("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 7, 2017, stock options allowing its holders to purchase 2,272,098 common shares were outstanding.

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

Management is responsible for establishing and maintaining adequate disclosure controls and internal controls over financial reporting. Any system of disclosure controls and internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in our disclosure controls and internal controls over financial reporting during the quarter ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

20. Fourth Quarter Financial and Operating Results

During the fourth quarter of 2016, we realized gold sales of $69,137,000 and an operating income of $4,806,000 compared to gold sales of $72,475,000 and an operating income of $12,549,000 in the same period in 2015. The decrease in our revenues is due to the decrease in gold ounces sold, partially offset by an increase in the average selling price. The decrease in our operating income is due to lower gold sales and the impairment loss of $8,913,000 related to the Banfora Zone, partially offset by a decrease in share-based compensation expense. Net loss attributable to equity shareholders amounted to $4,949,000 or a loss of $0.02 per share in December 31, 2016, compared to net income of $476,000 or nil per share in 2015 as a result of lower operating income and partially offset by lower income tax expense.

During the fourth quarter of 2016, our total cash cost[1] reached $571 per ounce sold compared to $493 per ounce sold in the same period in 2015 due to a lower head grade compared to 2015.

Our all-in sustaining cost[1] amounted to $694 per ounce sold in the fourth quarter of 2016 compared to $719 per ounce sold in the same period in 2015 as a result of the increase in our total cash cost[1].

[1] Total cash cost, all-in sustaining cost, adjusted operating income, 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" section of this MD&A, note 22.

21. Quarterly Information

	2016					2015				
	Q1	Q2	Q3	Q4	YTD	Q1	Q2	Q3	Q4	YTD
(in thousands of dollars, except for amounts per share)										
Results										
Revenues – Gold sales	74,556	76,590	80,200	69,137	**300,483**	74,016	81,115	72,523	72,475	300,129
Operating income	17,836	14,428	23,016	4,806	**60,086**	11,207	22,824	19,486	12,549	66,066
Net income (loss)	18,691	7,078	19,559	(4,061)	**41,267**	(7,849)	22,115	14,491	1,796	30,553
Attributable to:										
- Equity shareholders	16,184	5,304	17,680	(4,949)	**34,219**	(8,114)	19,719	12,829	476	24,910
- Non-controlling interest	2,507	1,774	1,879	888	**7,048**	265	2,396	1,662	1,320	5,643
Basic earnings (loss) per share	0.05	0.02	0.05	(0.02)	**0.11**	(0.03)	0.07	0.04	—	0.09
Diluted earnings (loss) per share	0.05	0.02	0.05	(0.02)	**0.11**	(0.03)	0.07	0.04	—	0.09
Cash flows from operating activities[1]	35,204	37,390	39,266	30,362	**142,222**	32,553	40,748	34,830	39,430	147,561
MANA										
Operating data										
Ore mined (tonnes)	500,300	564,500	555,200	555,700	**2,175,700**	749,800	540,100	541,200	559,500	2,390,600
Ore processed (tonnes)	682,900	604,500	751,700	714,200	**2,753,300**	537,300	600,900	618,300	642,600	2,399,100
Head grade (g/t)	3.04	3.33	2.71	2.52	**2.88**	4.09	3.71	3.67	3.13	3.63
Recovery (%)	92	95	95	95	**94**	92	92	92	89	91
Gold ounces produced	61,300	61,300	62,500	55,100	**240,200**	65,200	66,000	67,200	57,500	255,900
Gold ounces sold	62,800	60,700	60,000	57,100	**240,600**	60,600	67,700	64,800	65,500	258,600
Statistics (in dollars)										
Average selling price (per ounce)	1,187	1,262	1,337	1,211	**1,249**	1,221	1,198	1,119	1,106	1,161
Cash operating cost (per tonne processed)[2]	42	49	41	40	**43**	54	46	47	42	47
Total cash cost (per ounce sold)[2]	505	547	574	571	**548**	528	471	485	493	493
All-in sustaining cost (per ounce sold)[2]	695	742	751	694	**720**	646	604	616	719	645
Depreciation (per ounce sold)[3]	275	331	330	364	**324**	396	328	296	331	337

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" 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.

22. Non-IFRS Financial Performance Measures

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

Cash Operating Cost

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

	2016	2015
Per tonne processed		
Tonnes of ore processed	2,753,300	2,399,100
(in thousands of dollars except per tonne)		
Mining operation expenses (relating to ounces sold)	131,953	127,618
Government royalties and selling expenses	(13,627)	(12,772)
Effects of inventory adjustments (doré bars and gold in circuit)	(67)	(2,267)
Operating costs (relating to tonnes processed)	118,259	112,579
Cash operating cost (per tonne processed)	**43**	47

Total Cash Cost

	2016	2015
Per ounce sold		
Gold ounce sold	240,600	258,600
(in thousands of dollars except per ounce)		
Mining operation expenses	131,953	127,618
Total cash cost (per ounce sold)	**548**	493

All-in Sustaining Cost

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

	2016	2015
Per ounce sold		
Gold ounce sold	240,600	258,600
(in thousands of dollars except per ounce)		
Sustaining capital expenditure	41,462	39,426
Sustaining capital expenditure (per ounce sold)	172	152
Total cash cost (per ounce sold)	548	493
All-in sustaining cost (per ounce sold)	**720**	645

22. Non-IFRS Financial Performance Measures (continued)

Operating Cash Flows per Share

(in thousands except per share)	2016	2015
Cash flows from operating activities[1]	142,222	147,561
Weighted average number of outstanding common shares - basic	315,290	291,351
Operating cash flows per share	**0.45**	0.51

Adjusted Accounting Measures

(in thousands of dollars except per share)	2016	2015
Net income attributable to equity shareholders as per IFRS	34,219	24,910
Foreign exchange loss	1,144	8,161
Tax effect of currency translation on tax base	1,843	5,365
Share-based compensation expense related to change in the fair value of the share price	1,990	(93)
Impairment of property, plant and equipment	8,913	—
Write-off of financing fees	—	2,520
Adjusted net income attributable to equity shareholders	**48,109**	40,863
Weighted average number of outstanding shares	315,290	291,351
Adjusted basic earnings per share	**0.15**	0.14

(in thousands)	2016 $	2015 $
Operating income as per IFRS	60,086	66,066
Share-based compensation expense related to change in the fair value of the share price	1,990	(93)
Impairment of property, plant and equipment	8,913	—
Adjusted operating income	**70,989**	65,973

23. Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at December 31, 2016.

24. Additional Information and Continuous Disclosure

This MD&A has been prepared as of March 7, 2017. 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.

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

25. Forward-Looking Statements

This MD&A contains forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and accordingly, actual results and future events could differ materially from those expressed or implied in such statements. You are hence cautioned not to place undue reliance on forward-looking statements. These forward-looking statements include statements regarding our expectations as to the market price of gold, production targets, timetables, mining operation expenses, capital expenditures and mineral reserves and resources estimates. Forward-looking statements include words or expressions such as "pursuing", "growth", "opportunities", "objectives", "2017", "outlook", "intend", "guidance", "progress", "will", "potential", "increased", "forecast", "should", "expected", "test", "aim of", "designed to", "remainder", "ongoing", "in order to", "plan to", "evaluate", "estimated" 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 deliver our production guidance at Mana, the ability to complete our 2017 capital spending program, the ability to attain higher production, lower costs and create value for our shareholders, the ability of our exploration budget to increase mine lives at both Natougou and Mana, the accuracy of our assumptions, Mana's ability to process approximatively 2.4 million tonnes at an average grade of 3.21 g/t Au with an average gold recovery rate of 91%, the ability to extract 1.9 million tonnes of ore from the Siou, Fofina and Wona North pits at an average grade of 3.82 g/t Au, the ability of our exploration activities at Mana to identify near-site satellite deposits, the ability of our 2017 infill program at Natougou to convert current inferred resources on the West Flank Sector into the indicated category, the ability to complete studies in order to evaluate potential underground operations at Mana and at Natougou, the ability to develop Natougou on time and on budget, and with respect to (i) first gold pour, (ii) average annual production of 226,000 ounces during the first three years at a total cash cost of $283 per ounce and all-in sustaining cost of $374 per ounce, and (iii) a NPV of $262 million and an IRR of 48%, fluctuation in the price of currencies, gold prices and operating costs, mining industry risks, uncertainty as to calculation of mineral reserves and resources, delays, political and social stability in Africa (including our ability to maintain or renew licenses and permits) and other risks described in SEMAFO's documents filed 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 and available at www.sedar.com. These documents are also available on our website at www.semafo.com. We disclaim any obligation to update or revise these forward-looking statements, except as required by applicable law.