SEMAFO Inc.

Management's Discussion and Analysis

June 30, 2017

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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 deposit of Siou, and is targeting production start-up of the Boungou Mine in the third quarter of 2018. 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 August 8, 2017, is intended to complement and supplement our Condensed Interim Consolidated Financial Statements (the "financial statements") as at June 30, 2017 and for the period 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. 2017 Second Quarter Highlights

- Results from grade control program on Zone 9 are in line with 2016 reserves
- Gold production of 47,600 ounces compared to 61,300 ounces for the same period in 2016
- Gold sales of $59.3 million compared to $76.6 million for the same period in 2016
- Total cash cost[1] of $703 per ounce sold and all-in sustaining cost[1] of $1,074 per ounce sold compared to $547 and $742, respectively, for the same period in 2016
- Net operating loss of $0.8 million compared to an operating income of $14.4 million for the same period in 2016
- Adjusted operating loss[1] of $2.8 million compared to an adjusted operating income of $18.9 million for the same period in 2016
- Net income of $9.3 million compared to $7.1 million for the same period in 2016
- Adjusted net loss attributable to equity shareholders[1] of 2.9 million or $0.01 loss per share[1] compared to an adjusted net income of $14.4 million or $0.05 per share[1] for the same period in 2016
- Cash flows from operating activities[2] of $23.6 million or $0.07 per share[1] compared to $37.4 million or $0.12 per share[1] for the same period in 2016
- Drawdown of incremental $60 million from Credit Facility with Macquarie Bank Limited in June

Boungou Mine

- Development on schedule with $69 million spent out of $231 million
- Construction of the mine 35% complete
- Pre-stripping at Boungou deposit has commenced
- Water storage facility has been excavated and is ready to collect 2017 rainwater
- 1.1 million man-hours have been worked without lost-time injury

[1] Total cash cost, all-in sustaining cost, adjusted operating income (loss), adjusted net income (loss) attributable to equity shareholders, adjusted basic earnings (loss) 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 performance measures" section of this MD&A, note 18.

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

2. 2017 Outlook and Strategy[1]

2017 Outlook

	2017 Initial Outlook	2017 Revised Outlook
Gold production (ounces)	215,000 - 235,000	190,000 - 205,000
Total cash cost[2] (per ounce sold)	585 - 615	685 - 715
All-in sustaining cost[2] (per ounce sold)	795 - 835	920 - 960

	2017 Initial Outlook	2017 Revised Outlook
Sustaining capital expenditures		
Sustaining - Mana	12	n/a
Stripping - Mana	34	n/a
	46	n/a
Initial exploration budget	23	n/a

2017 Revised Outlook

During the first quarter of 2017, the mined grade was adversely affected by the geological interpretation of the upper portion of Zone 9, a mineralized zone in the south-west sector of the Siou pit that was first included in the 2017 mine plan. The upper portion presents a complex geometry as the area comprises the junction of three different zones: Zone 9 itself and two subsidiary zones known as Zones 55 and 56. This resulted in misleading ore outlines and led to a significant variation in grade.

As a result, in April 2017, we adjusted our 2017 outlook to between 190,000 and 205,000 ounces of gold, at a total cash cost[2] of between $685 and $715 per ounce and all-in sustaining cost[2] of between $920 and $960 per ounce.

Grade Control Results at Siou

Following geological interpretation issues in the upper portion of Zone 9 earlier this year, the Corporation changed its method of grade control from channel sampling to reverse-circulation (RC) drilling. As at end of July, over 7,500 meters (in 200 holes) of in-pit RC drilling had been conducted to a vertical depth of up to 30 meters over 500 meters of mineralization over a grid of 12.5 meters by 6.25 meters in the Zone 9 area. This represents the ore expected to be mined from Zone 9 from May through December 2017. As shown in Figure 1, the results from the grade control program are in line with our 2016 reserves and confirm our expectation that the geometry is simpler and more rectilinear.

Table 1 below compares the new block model with the 2016 reserves block model for the same test area of Zone 9.

Table 1

New block model (Mining area: May through December 2017)	668,000 tonnes at 4.52 g/t Au for 97,000 oz of gold contained
2016 reserves block model	633,500 tonnes at 4.82 g/t Au for 98,100 oz of gold contained

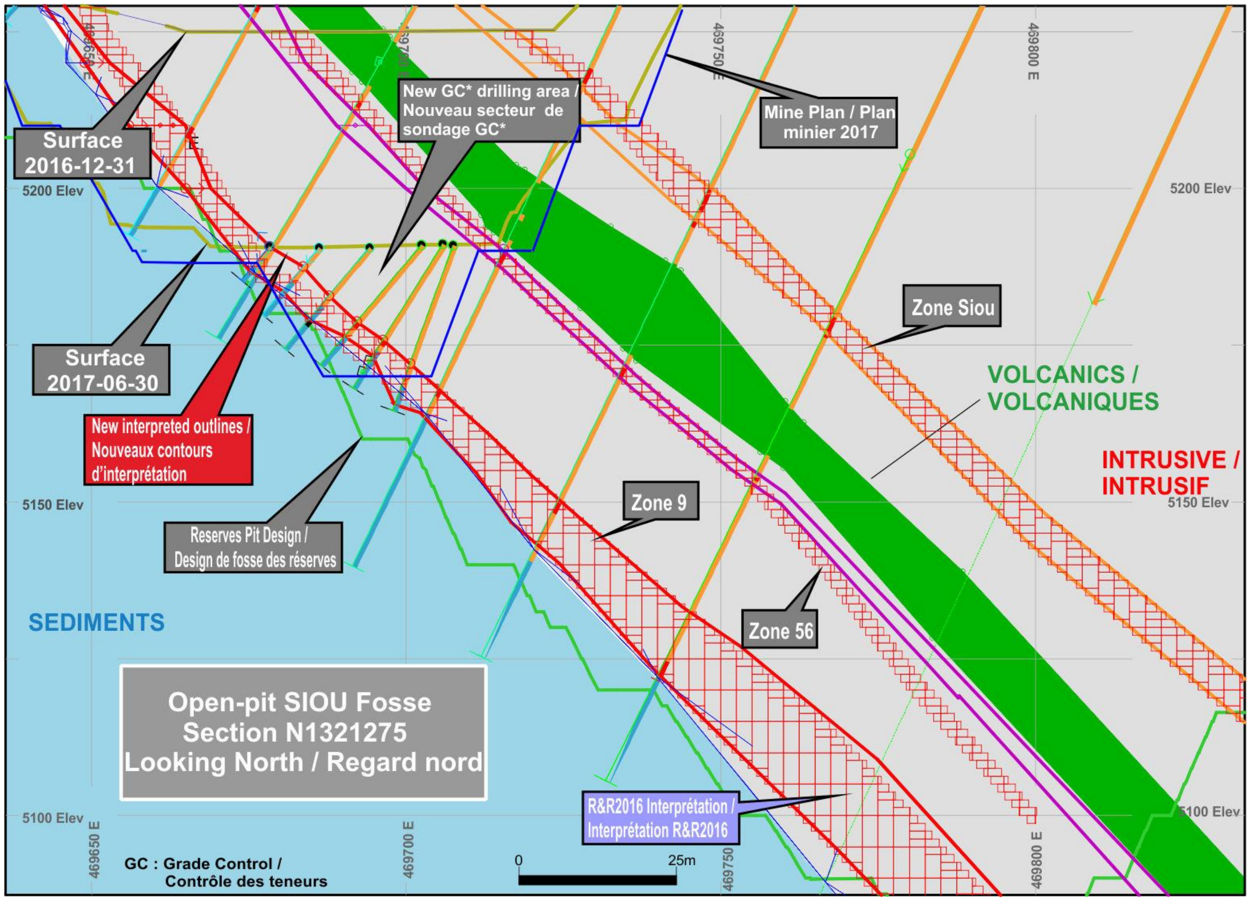
As expected, we exited the complex portion of upper Zone 9 in May. The ore mined in the months of May and June is in line with our new block model.

The Corporation reiterates its 2017 outlook of between 190,000 and 205,000 ounces of gold, at a total cash cost[2] of between $685 and $715 per ounce and all-in sustaining cost[2] of between $920 and $960 per ounce.

1 This section contains forward-looking statements. For more information on forward-looking statements, see note 20.
2 Total cash cost and all-in sustaining costs are non-IFRS financial performance measures with no standard definition under IFRS.

2. 2017 Outlook and Strategy[1] (continued)

Figure 1



[1] This section contains forward-looking statements. For more information on forward-looking statements, see note 20.
[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 second quarter of 2017, the price of gold, based on the London Gold Fix PM, fluctuated from a high of $1,294 to a low of $1,220 per ounce. The average market gold price in the second quarter of 2017 was $1,257 per ounce compared to $1,260 per ounce for the same period in 2016, representing a decrease of $3.

	2017		2016	
	Q2	Q1	Q2	Q1
(in dollars per ounce)				
Average London Gold Fix	1,257	1,219	1,260	1,183
Average realized selling price	1,265	1,223	1,262	1,187

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 $51 per barrel in the second quarter of 2017 compared to $47 per barrel for the same period in 2016.

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 593 FCFA (equivalent to $1.01) per litre in the three-month period ended June 30, 2017 compared to 638 FCFA (equivalent to $1.09) in 2016. The decrease in the fuel price had a positive impact on our mining operation expenses in the second quarter of 2017.

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 three-month period ended June 30, 2017, the US dollar was on average stronger relative to the Euro compared to the same period in 2016. As approximately 75% of our costs are denominated in foreign currencies other than the US dollar, foreign exchange had a positive year-over-year impact on our total cash cost[1] and all-in sustaining cost[1]. At closing of the second quarter of 2017, the US dollar began to depreciate relative to the Euro and the Canadian dollar. Should this tendency continue throughout 2017, foreign exchange could have a negative impact on our costs[2].

Exchange rates are as follows:

	CAD / USD $		EUR / USD $	
	2017	2016	**2017**	2016
December 31 (closing)	—	1.3427	—	0.9476
March 31 (closing)	**1.3322**	1.2971	**0.9348**	0.8779
June 30 (closing)	**1.2982**	1.3009	**0.8754**	0.9063
First quarter (average)	**1.3246**	1.3746	**0.9377**	0.9085
Second quarter (average)	**1.3440**	1.2890	**0.9110**	0.8848

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 performance measures" section of this MD&A, note 18.

2 This statement contains forward-looking statements. For more information on forward-looking statements, see note 20.

4. Consolidated Results and Mining Operations

Financial and Operating Highlights

	Three-month period ended June 30,			Six-month period ended June 30,		
	2017	2016	Variation	**2017**	2016	Variation
Gold ounces produced	**47,600**	61,300	(22%)	**103,000**	122,600	(16%)
Gold ounces sold	**46,900**	60,700	(23%)	**101,600**	123,500	(18%)
(in thousands of dollars, except amounts per share)						
Revenues – Gold sales	**59,315**	76,590	(23%)	**126,201**	151,146	(17%)
Mining operation expenses	**30,573**	30,071	2%	**66,138**	58,793	12%
Government royalties	**2,389**	3,139	(24%)	**5,081**	6,157	(17%)
Depreciation of property, plant and equipment	**24,795**	20,164	23%	**50,063**	37,504	33%
Share-based compensation	**(1,095)**	5,127	—	**124**	8,805	(99%)
Other	**3,408**	3,661	(7%)	**7,335**	7,623	(4%)
Operating income (loss)	**(755)**	14,428	—	**(2,540)**	32,264	—
Finance income	**(800)**	(573)	40%	**(1,536)**	(946)	62%
Finance costs	**321**	1,062	(70%)	**645**	1,364	(53%)
Foreign exchange (gain) loss	**(6,103)**	2,714	—	**(6,932)**	(2,195)	216%
Income tax expense (recovery)	**(3,521)**	4,147	—	**(1,681)**	8,272	—
Net income for the period	**9,348**	7,078	32%	**6,964**	25,769	(73%)
Attributable to equity shareholders						
Net income	**8,854**	5,304	67%	**6,163**	21,488	(71%)
Basic earnings per share	**0.03**	0.02	50%	**0.02**	0.07	(71%)
Diluted earnings per share	**0.03**	0.02	50%	**0.02**	0.07	(71%)
Adjusted amounts						
Adjusted operating income (loss)[1]	**(2,754)**	18,911	—	**(4,643)**	38,984	—
Adjusted net income (loss) attributable to equity shareholders[1]	**(2,893)**	14,394	—	**(7,267)**	25,355	—
Per share[1]	**(0.01)**	0.05	—	**(0.02)**	0.08	—
Cash flows						
Cash flows from operating activities[2]	**23,614**	37,390	(37%)	**46,761**	72,594	(36%)
Per share[1]	**0.07**	0.12	(42%)	**0.14**	0.24	(42%)
Statistics (in dollars)						
Average realized selling price (per ounce)	**1,265**	1,262	—	**1,242**	1,224	1%
Cash operating cost (per tonne processed)[1]	**43**	49	(12%)	**48**	46	4%
Total cash cost (per ounce sold)[1]	**703**	547	29%	**701**	526	33%
All-in sustaining cost (per ounce sold)[1]	**1,074**	742	45%	**976**	719	36%

[1] Adjusted operating income (loss), adjusted net income (loss) attributable to equity shareholders, adjusted basic earnings (loss) 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 performance measures" section of this MD&A, note 18.

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

4. Consolidated Results and Mining Operations (continued)

Second Quarter 2017 v. Second Quarter 2016

- During the second quarter of 2017, gold sales amounted to $59,315,000 compared to $76,590,000 for the same period in 2016. The 23% decrease is mainly due to lower gold ounces produced and sold. See note 5 for more information. The variation between gold ounces sold and gold ounces produced during the quarter is due to the timing of shipments.
- Lower government royalties are a direct result of lower gold sales.
- The 2017 increase in depreciation of property, plant and equipment mainly reflects a higher capitalized stripping ratio from Siou at depth compared to the same period in 2016.
- Lower share-based compensation expense during the second quarter of 2017 compared to the same period in 2016 is due to the change in our share price.
- The decrease in operating income in the second quarter of 2017 compared to the same period in 2016 is mainly due to lower gold sales and higher depreciation, partially offset by lower share-based compensation expense.
- The foreign exchange gain amounted to $6,103,000 due to the revaluation of our monetary assets denominated in foreign currencies following the weakening of the US dollar as at June 30, 2017 compared to March 31, 2017.
- The decrease in income tax expense is due to the weakening of the US dollar at the end of the second quarter of 2017 whereas the US dollar strengthened in 2016. At the close of the second quarter of 2017, the tax base of mining assets in foreign jurisdictions was therefore higher and increased future tax deductions when converted into US dollars. These non-cash items amounted to a recovery of $3,645,000 for the second quarter of 2017, compared to an expense of $1,893,000 for the same period in 2016. 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. In addition, a decrease in taxable income at the Mana Mine compared to the same period in 2016 contributed to the reduction of the income tax expense.
- The decrease in cash flows from operating activities[1] in the second quarter of 2017 compared to the same period in 2016 is due to lower gold sales following a decrease in production.

First Six Months of 2017 v. First Six Months of 2016

- During the first six months of 2017, gold sales amounted to $126,201,000 compared to $151,146,000 for the same period in 2016. The decrease in gold sales is caused by lower gold ounces produced and sold. See note 5 for more information. The variation between gold ounces sold and gold ounces produced is due to the timing of shipments.
- Mining operating expenses increased during the first six months of 2017 compared to the same period in 2016 as a result of a higher stripping ratio and a higher throughput.
- Lower government royalties are a direct result of lower gold sales.
- The 2017 increase in depreciation of property, plant and equipment mainly reflects a higher capitalized stripping ratio from Siou at depth compared to the same period in 2016.
- Lower share-based compensation expense during the first six months of 2017 compared to the same period in 2016 is due to the change in our share price.
- The decrease in operating income in the first six months of 2017 compared to the same period in 2016 is mainly due to lower gold sales and higher depreciation, partially offset by lower share-based compensation expense.
- The foreign exchange gain amounted to $6,932,000 due to the revaluation of our monetary assets denominated in foreign currencies following the weakening of the US dollar as at June 30, 2017 compared to December 31, 2016.
- The decrease in income tax expense is due to the weakening of the US dollar at the end of the second quarter of 2017 whereas the US dollar strengthened in 2016. At the close of the second quarter of 2017, the tax base of mining assets in foreign jurisdictions was therefore higher and increased future tax deductions when converted into US dollars. These non-cash items amounted to a recovery of $4,395,000 for the first six months of 2017, compared to $658,000 for the same period in 2016. 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. In addition, a decrease in taxable income at the Mana Mine compared to the same period in 2016 contributed to the reduction of the income tax expense.
- The decrease in cash flows from operating activities[1] in the first six months of 2017 compared to the same period in 2016 is due to lower gold sales following a decrease in production.

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

5. Operating Income (Loss) by Segment

	Three-month period ended June 30,			Six-month period ended June 30,		
	2017	2016	Variation	**2017**	2016	Variation
(in thousands)	**$**	$	%	**$**	$	%
Mana, Burkina Faso	**965**	22,414	(96%)	**3,520**	47,223	(93%)
Boungou, Burkina Faso	**(22)**	—	—	**(97)**	—	—
Other exploration	**—**	—	—	**—**	—	—
Corporate and other	**(1,698)**	(7,986)	79%	**(5,963)**	(14,959)	60%
	(755)	14,428	—	**(2,540)**	32,264	—

The operating loss of the segment "Corporate and other" decreased in the three-month and six-month periods ended June 30, 2017, compared to the same period in 2016, mainly due to a lower share-based compensation expense resulting from the change in our share price.

5. Operating Income (Loss) by Segment (continued)

Mana, Burkina Faso

Mining Operations

	Three-month period ended June 30,			Six-month period ended June 30,		
	2017	2016	Variation	**2017**	2016	Variation
Operating Data						
Ore mined (tonnes)	**503,200**	564,500	(11%)	**982,600**	1,064,800	(8%)
Ore processed (tonnes)	**675,500**	604,500	12%	**1,407,300**	1,287,400	9%
Waste mined (tonnes)	**3,947,600**	4,809,700	(18%)	**8,586,000**	8,269,100	4%
Operational stripping ratio	**7.8**	8.5	(8%)	**8.7**	7.8	12%
Head grade (g/t)	**2.31**	3.33	(31%)	**2.43**	3.18	(24%)
Recovery (%)	**95**	95	—	**94**	93	1%
Gold ounces produced	**47,600**	61,300	(22%)	**103,000**	122,600	(16%)
Gold ounces sold	**46,900**	60,700	(23%)	**101,600**	123,500	(18%)
Capitalized Stripping Activity						
Waste material – Siou (tonnes)	**4,547,200**	3,658,600	24%	**8,353,100**	6,648,900	26%
Waste material – Fofina (tonnes)	**—**	192,200	(100%)	**—**	2,820,300	(100%)
Waste material – Wona (tonnes)	**2,583,000**	—	—	**3,714,300**	—	—
	7,130,200	3,850,800	85%	**12,067,400**	9,469,200	27%
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**59,315**	76,590	(23%)	**126,201**	151,146	(17%)
Mining operations expenses	**30,573**	30,071	2%	**66,138**	58,793	12%
Government royalties	**2,389**	3,139	(24%)	**5,081**	6,157	(17%)
Depreciation of property, plant and equipment	**24,705**	20,097	23%	**49,883**	37,373	33%
General and administrative	**626**	689	(9%)	**1,212**	1,285	(6%)
Corporate social responsibility expenses	**57**	180	(68%)	**367**	315	17%
Segment operating income	**965**	22,414	(96%)	**3,520**	47,223	(93%)
Statistics (in dollars)						
Average realized selling price (per ounce)	**1,265**	1,262	—	**1,242**	1,224	1%
Cash operating cost (per tonne processed)[1]	**43**	49	(12%)	**48**	46	4%
Total cash cost (per ounce sold)[1]	**703**	547	29%	**701**	526	33%
All-in sustaining cost (per ounce sold)[1]	**1,074**	742	45%	**976**	719	36%
Depreciation (per ounce sold)[2]	**527**	331	59%	**491**	303	62%

[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 18.

[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.

5. Operating Income (Loss) by Segment (continued)

Mana, Burkina Faso (continued)

Mining Operations (continued)

Second Quarter 2017 v. Second Quarter 2016

As expected, in the second quarter of 2017, the grade was adversely affected by the geological interpretation of the upper portion of Zone 9, a mineralized zone in the south-west sector of the Siou pit that was first included in the 2017 mine plan. The upper portion of Zone 9 presents a complex geometry as the area comprises the junction of three different zones: Zone 9 itself, and two subsidiary zones known as Zones 55 and 56.

In the second quarter, we conducted a grade control RC drilling program of 7,500 meters (in 200 holes) to a vertical depth of up to 30 meters over 500 meters of mineralization over a grid of 12.5 meters by 6.25 meters in the Zone 9 area. This represents the ore expected to be mined from Zone 9 through December 2017. Results from the grade control program are in line with our 2016 reserves and confirm our expectation that the geometry is simpler and more rectilinear. As expected, we exited the complex portion of upper Zone 9 in May. See note 2 for more information.

- During the second quarter of 2017, as expected, the Mana Mine produced 47,600 ounces of gold at a total cash cost[1] of $703 and all-in sustaining cost[1] of $1,074 per ounce. The mill processed 675,500 tonnes at an average grade of 2.31 g/t Au, including 194,100 tonnes of low-grade material not included in our reserves. The latter results from a decision to take advantage of higher gold prices and available milling capacity in order to generate additional cash flow. Absent the impact of this decision, the head grade would have been 2.94 g/t Au.
- The lower head grade in the second quarter of 2017 reflects the geological interpretation challenges in Zone 9 as previously explained.
- The decrease in gold ounces produced and sold is a direct result of lower head grade, partially offset by higher throughput.
- During the second quarter of 2017, gold sales amounted to $59,315,000 compared to $76,590,000 for the same period in 2016. The 23% decrease in gold sales is caused by lower gold ounces sold. The variation between gold ounces sold and gold ounces produced during the quarter is due to the timing of shipments.
- The decrease in government royalties during the second quarter of 2017 is a direct result of lower gold sales.
- The 2017 increase in depreciation of property, plant and equipment and depreciation[2] per ounce sold mainly reflects a higher capitalized stripping ratio from Siou at depth compared to the same period in 2016.
- Our cash operating cost[1] per tonne processed in the second quarter of 2017 amounted to $43 compared to $49 in the second quarter of 2016. This is the result of lower operational stripping ratio combined with higher throughput compared to 2016.
- As expected, the total cash cost[1] and all-in sustaining cost[1] in 2017 reached $703 and $1,074 per ounce sold, respectively, compared to $547 and $742 per ounce sold, respectively, for the same period in 2016. The 2017 cost results are due to the lower head grade, partially offset by lower cash operating cost per tonne.

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[1] Total cash cost, all-in sustaining cost and cash operating cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A, note 18.

[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.

5. Operating Income (Loss) by Segment (continued)

Mana, Burkina Faso (continued)

First Six Months of 2017 v. First Six Months of 2016

- The decrease in head grade in 2017 compared to the same period in 2016 is mainly due to the processing of 289,600 tonnes of low-grade material not included in our reserves. This results from the decision to take advantage of higher gold prices and available milling capacity in order to generate additional cash flow. Absent the impact of this decision, the head grade would have been 2.87 g/t Au.
- As previously explained, the decrease in gold ounces produced and sold is a direct result of the 24% lower head grade, partially offset by higher throughput.
- Lower gold sales are caused by lower gold ounces produced and sold.
- Mining operations expenses increased during the first six months of 2017 compared to the same period in 2016 mainly as a result of a higher stripping ratio and a higher throughput.
- The 2017 increase in depreciation of property, plant and equipment and depreciation[1] per ounce sold mainly reflects a higher capitalized stripping ratio from Siou at depth compared to the same period in 2016.
- The cash operating cost[2] per tonne processed amounted to $48 in the first six months of 2017 compared to $46 for the same period in 2016, mainly as a result of higher operational stripping ratio.
- In the first six months of 2017, the total cash cost[2] and all-in sustaining cost[2] reached $701 and $976 per ounce sold compared to $526 and $719 per ounce sold, respectively, for the same period in 2016 due to a lower head grade and a higher cash operating cost per tonne.

[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 performance measures" section of this MD&A, note 18.

5. Operating Income (Loss) by Segment (continued)

Boungou, Burkina Faso[1]

Boungou Mine

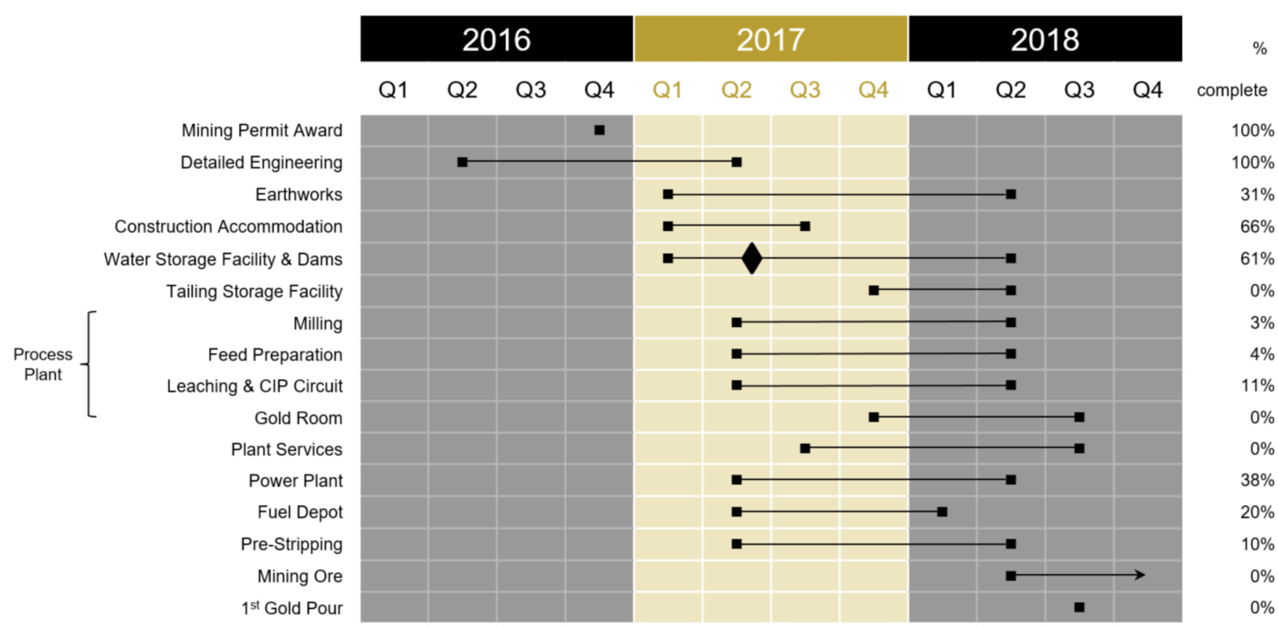
The Boungou high-grade open pit deposit is located 320 kilometers east of Ouagadougou, the capital city of Burkina Faso. In 2016, we completed a feasibility study that includes a maiden reserves estimate of 9.6 million tonnes at an average grade of 4.15 g/t Au for 1,276,000 ounces of contained gold. 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. Construction began in early January 2017, with the first gold pour scheduled for the third quarter of 2018.

To date, construction of the Boungou Mine is progressing well and is on time and on budget. As at June 30, 2017, the following key components had been advanced:

- Development on schedule with $69 million spent
- Construction of the mine 35% complete
- Concrete works are progressing on the SAG, vertimill, crusher and surge bin foundations
- Erection of the leach and water tanks has commenced
- On-site delivery of the vertimill, the first long-lead item
- Work has commenced on the power plant and fuel depot
- Water storage facility has been excavated and is ready to collect 2017 rainwater
- Pre-stripping at the Boungou deposit has commenced
- Receipt of the mining convention from the Council of Ministers of the Government of Burkina Faso
- 1,540 personnel including contractors were employed on site, 93% of which are Burkinabe
- 1.1 million man-hours have been worked without lost-time injury

The table below presents the construction milestones for the Boungou Mine and their level of completion:

Table 1 - Construction Milestones as at June 30, 2017



♦ The water storage is already functional

1 This section contains forward-looking statements. For more information on forward-looking statements, see note 20.

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

5. Operating Income (Loss) by Segment (continued)

Exploration

Tapoa (Boungou Mine)

West and East Flank Sectors

In the second quarter, exploration activities principally involved completion of the infill program (40-meter by 40-meter spacing) on the West and East Flank Sectors of the Boungou reserves pit. A total of 49,400 meters of drilling in 326 holes was carried out in the first half of the year, most of which was for the infill program, with the objective of bringing the inferred resources into the indicated resources category in order to complete a pre-feasibility study in the first quarter of 2018. Results continue to be in line with the 80-meter x 80-meter model. The East Flank, although much smaller, has a similar structure to that of the West Flank.

The geotechnical drilling program on the East and West Flanks has also been completed, and samples have been sent to Rocklab in South Africa to establish engineering parameters. Results are expected in the third quarter of 2017. Analysis of the rock mechanics will be used in the design of the underground stoping in the pre-feasibility study.

The following table provides the highlights of the infill assay results received in the second quarter of 2017:

BHID	From	To	Length[1]	Au g/t	Zone
TPA1068	140.0	148.0	8.0	5.65	West Flank
TPA1069	168.0	173.0	5.0	4.52	West Flank
TPA1070	164.0	170.0	6.0	9.48[2]	West Flank
TPA1077	153.0	158.0	5.0	5.14	West Flank
TPA1111	112.0	118.0	6.0	3.83	East Flank
TPA1118	117.0	124.0	7.0	6.28	East Flank
TPA1122	140.0	146.4	6.4	4.55	West Flank
TPA1124	141.0	146.0	5.0	5.17	West Flank
TPA1125	116.0	126.0	10.0	3.34	East Flank
TPA1126	148.0	154.6	6.6	5.19	West Flank
TPA1130	144.0	148.0	4.0	5.39	East Flank
TPA1133	140.0	151.0	11.0	6.40[2]	East Flank
TPA1136	115.0	120.0	5.0	6.13	East Flank
TPA1137	117.0	124.0	7.0	3.20	East Flank
TPA1138	138.0	146.0	8.0	3.27	East Flank
TPA1139	155.0	162.0	7.0	3.88	East Flank
TPA1140	106.0	110.0	4.0	4.97	West Flank
TPA1141	108.0	121.0	13.0	2.13	East Flank
TPA1145	122.0	129.0	7.0	3.53	East Flank
TPA1149	86.0	93.0	7.0	4.14	East Flank
TPA1151	168.0	176.0	8.0	4.76	East Flank
TPA1152	173.0	182.0	9.0	2.36	East Flank
TPA1161	118.0	126.0	8.0	5.98	East Flank
TPA1166	80.0	87.0	7.0	4.04	East Flank

1 All lengths are along the hole axis, and the true thickness is over 80% of the given length.
2 Capped at 45 g/t Au

5. Operating Income (Loss) by Segment (continued)

Exploration (continued)

Tapoa (Boungou Mine) (continued)

Regional Exploration

In the second quarter, a 60,000-meter auger drill program was initiated on the Bossoari, Dangou and Pambourou permits located within the Tapoa Project. In 2016, a soil sampling program was conducted on the Bossoari permit located southwest of the Boungou permit. A total of 22,000 meters was drilled in 2,375 holes on the three properties in the quarter, and results will be used to define RC drill targets later in the year.

Exploration RC drilling commenced at the beginning of June to test auger drill anomalies along the 045 Trend and the Bossoari target. To date, 32 holes (1,450 meters, part of the above 49,400 meters of infill drilling) have been completed.

Mana Project

Exploration drilling at Mana in the quarter targeted the Siou deposit at depth. Year to date, a total of 49 holes (17,400 meters) mainly tested the southern part of the Siou mineralized structures at depth up to 50-meter by 50-meter spacing, including 8 holes (2,800 meters) for geotechnical studies. The delineation program was completed in July 2017. The objectives of this program are to expand the resources at Siou, convert inferred resources into the indicated category and complete a pre-feasibility study in the first quarter of 2018.

The following table provides the highlight of assay results received in the second quarter of 2017:

BHID	From	To	Length	Au g/t	Au Capped (40 g/t Au)	Zone
WDC928	286	310.95	24.95	2.38		9
WDC931	337	348.9	11.9	8.21	7.45	9
WDC933	301	346.7	45.7	4.12	3.90	9
WDC934	338	346.7	8.7	5.35	5.26	9
WDC938	351	355.3	4.3	30.60	21.77	9
WDC939	376.6	386.7	10.1	5.73	5.50	56
WDC940	340.5	351.5	11.0	5.10	5.04	56

Under the regional program, a total of 32,780 meters of auger drilling was carried out in the first half of the year over the Mana Ouest, Fobiri II and Bara permits.

Yactibo (Nabanga Project)

In the second quarter, 920 meters of RC drilling were conducted in the Nabanga intrusive with the objective of investigating parallel structures to the main quartz vein. A total of 6,900 meters of RC drilling in 63 holes has now been carried out in the year, completing the program. Results show that structure does not contain significant gold bearing values.

Kongolokoro (Houndé Greenstone Belt)

Exploration activities commenced in the quarter on the Milpo permit where a 6,700-meter RC drill program was conducted in 67 holes. The program is now complete, and no significant results were reported.

In July, a 1,200-meter core drill program was initiated on the Dynikongolo permit with the aim of finding extensions to the Bantou mineralized zone.

Korhogo Ouest, Côte d'Ivoire

A first trenching exploration program commenced in March this year on our Korhogo Ouest permit in Côte d'Ivoire located at some 60 kilometers from the Tongon Mine. The program follows up the airborne geophysical and soil geochemical surveys completed in 2016. A total of 11 trenches has been completed, mapped and sampled (2,011 meters for 2,173 samples). Following encouraging trenching results, a 6,000-meter RC drilling program commenced in July.

5. Operating Income (Loss) by Segment (continued)

Corporate Social Responsibility

For the three-month and six-month periods ended June 30, 2017, corporate social responsibility expenses, representing contributions made to SEMAFO Foundation, totalled $79,000 and $464,000, respectively (2016: $180,000 and $315,000, respectively).

The second quarter saw the SEMAFO Foundation support the educational sector in the Boucle du Mouhoun region by installing latrines and hand-washing facilities in schools, electrifying a high school with solar panels and donating bicycles to needy students. Community services were bolstered through the inauguration of a freshwater borehole and a grain storehouse. Under the Foundation's guidance, revenue-generating projects went from strength to strength in the quarter: shea butter producers made a large consignment of soap for export and received training on recycling, and the poultry farmers successfully raised a fourth batch of chickens. In the 2016-2017 season, the sesame project continued to attract producer interest, and was extended to 44 villages. During this period, a total of 1,710 registered farmers generated revenue of $430,000 from an area under cultivation of 2,676 hectares. The quantity of sesame produced increased to 736 tonnes from 708 tonnes in the year prior.

In the Est region close to the Boungou Mine, local communities were supported by SEMAFO Foundation's inauguration of new freshwater boreholes and offer of literacy classes. To reinforce school enrolment, the Foundation donated bicycles to needy students. A course in motorcycle mechanics was initiated in the quarter to enable participants to acquire new revenue-generating skills. In 2016, the Foundation began accompanying five villages in a first sesame project, which generated $31,000 in revenue for the 250 participants in the 2016-2017 season. During the quarter, a roadshow was held in additional villages with the aim of furthering interest in organic sesame and soybean projects.

In addition to donations made to SEMAFO Foundation, SEMAFO carries out a series of complementary sustainable development projects. In the quarter, the Mana Mine completed commissioning of pipework to drain rainwater from a village area. In addition, its community team assisted the environmental department in setting up 160 compost pits in villages close to the mine in order to improve crop yield.

In parallel, in the Est region by the Boungou Mine, SEMAFO improved local public infrastructure, trained the local population, upgraded the housing and sanitary facilities of the resettled communities in addition to contributing to local security. To enhance public infrastructure, over $210,000 is being invested into resurfacing two stretches totaling 115 kilometers of the RR28 regional road from Ougarou. In the quarter, 1,100 hours of training were dispensed to Boungou employees. At the end of June, sixty-five percent of the resettlement village of Boungou (448 houses made from cement breeze blocks and equipped with ecological latrines) had been constructed with full completion expected in August 2017. Also in the quarter, SEMAFO invested the sum of $61,000 into renovating a police station, which is almost complete. Plans are underway to build a new police station in an area northwest of the mine before year-end.

Corporate and Other

	Three-month period ended June 30,		Six-month period ended June 30,	
	2017	2016	**2017**	2016
(in thousands)	**$**	$	**$**	$
Depreciation of property, plant and equipment	**90**	67	**180**	131
General and administrative	**2,703**	2,792	**5,659**	6,023
Share-based compensation	**(1,095)**	5,127	**124**	8,805
Segment operating loss	**(1,698)**	(7,986)	**(5,963)**	(14,959)

Share-based Compensation

	Three-month period ended June 30,		Six-month period ended June 30,	
	2017	2016	**2017**	2016
(in thousands)	**$**	$	**$**	$
Restricted Share Unit	**(632)**	4,440	**167**	7,186
Deferred Share Unit	**(435)**	677	**(35)**	1,515
Performance Share Unit	**(28)**	10	**(8)**	104
	(1,095)	5,127	**124**	8,805

5. Operating Income (Loss) by Segment (continued)

Corporate and Other (continued)

Share-based Compensation (continued)

For the three-month period ended June 30, 2017, our share-based compensation recovery amounted to $1,095,000 (2016: expense of $5,127,000). The recovery of $1,095,000 included a $904,000 expense (2016: $644,000) for outstanding units and a recovery of $1,999,000 (2016: expense of $4,483,000) due to the change in our share price.

For the six-month period ended June 30, 2017, our share-based compensation expense amounted to $124,000 (2016: $8,805,000). The $124,000 expense included a $2,227,000 expense (2016: $2,085,000) for outstanding units and a recovery of $2,103,000 (2016: expense of $6,720,000) due to the change in our share price.

Please refer to note 13 of the financial statements for more details.

6. Other Elements of the Statement of Income

Foreign Exchange (Gain) loss

For the three-month period ended June 30, 2017, the foreign exchange gain amounted to $6,103,000 due to the revaluation of our monetary assets denominated in foreign currencies following the weakening of the US dollar as at June 30, 2017 compared to March 31, 2017.

For the six-month period ended June 30, 2017, the foreign exchange gain amounted to $6,932,000 due to the revaluation of our monetary assets denominated in foreign currencies following the weakening of the US dollar as at June 30, 2017 compared to December 31, 2016.

Income Tax Expense

The decrease in income tax expense is due to the weakening of the US dollar at the end of the second quarter of 2017 whereas the US dollar strengthened in 2016. At the close of the second quarter of 2017, the tax base of mining assets in foreign jurisdictions was therefore higher and increased future tax deductions when converted into US dollars. These non-cash items amounted to a recovery of $3,645,000 for the second quarter of 2017, compared to an expense of $1,893,000 for the same period in 2016. 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. In addition, a decrease in taxable income at the Mana Mine compared to the same period in 2016 reduced the income tax expense.

The decrease in income tax expense is due to the weakening of the US dollar at the end of the second quarter of 2017 whereas the US dollar strengthened in 2016. At the close of the second quarter of 2017, the tax base of mining assets in foreign jurisdictions was therefore higher and increased future tax deductions when converted into US dollars. These non-cash items amounted to a recovery of $4,395,000 for the first six months of 2017, compared to $658,000 for the same period in 2016. 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. In addition, a decrease in taxable income at the Mana Mine compared to the same period in 2016 reduced the income tax expense.

Income Attributable to Non-Controlling Interest

For the three-month and six-month periods ended June 30, 2017, 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 $494,000 and $801,000 respectively (2016: $1,774,000 and $4,281,000 respectively).

7. Other Comprehensive Income

For the three-month and six-month periods June 30, 2017, other comprehensive loss amounted to $479,000 and other comprehensive income amounted to $339,000 respectively (2016: nil and nil), which related to the variation in fair value of our investment in GoviEx Uranium Inc. ("GoviEx").

8. Cash Flows

The following table summarizes our cash flow activities:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2017	2016	**2017**	2016
(in thousands)	**$**	$	**$**	$
Cash flows				
Operations	**23,614**	37,390	**46,761**	72,594
Working capital items	**(2,842)**	(3,578)	**(8,594)**	3,187
Operating activities	**20,772**	33,812	**38,167**	75,781
Financing activities	**59,933**	76,620	**59,906**	48,025
Investing activities	**(58,941)**	(20,397)	**(96,173)**	(39,940)
Change in cash and cash equivalents during the period	**21,764**	90,035	**1,900**	83,866
Effect of exchange rate changes on cash and cash equivalents	**6,372**	(2,632)	**7,625**	3,038
Cash and cash equivalents – beginning of the period	**255,161**	166,667	**273,772**	167,166
Cash and cash equivalents – end of the period	**283,297**	254,070	**283,297**	254,070

Operating

Second Quarter 2017 v. Second Quarter 2016

For the three-month period ended June 30, 2017, operating activities, before working capital items, generated cash flows of $23,614,000 compared to $37,390,000 in the same period in 2016 mainly due to lower operating income. Working capital items required liquidities of $2,842,000 in the second quarter of 2017, mainly due to higher trade and other receivables, lower income tax payable and partially offset by higher trade payables and accrued liabilities. In the second quarter of 2016, liquidities of $3,578,000 were used.

First Six Months of 2017 v. First Six Months of 2016

For the six-month period ended June 30, 2017, operating activities, before working capital items, generated cash flows of $46,761,000 compared to $72,594,000 in the same period in 2016 due to lower operating income. Working capital items required liquidities of $8,594,000 for 2017 compared to $3,187,000 liquidity generated in the same period in 2016, mainly due to the payment of the short-term part of restricted share units, higher trade and other receivables and lower income tax payable partially offset by lower inventories.

Further details regarding the changes in non-cash working capital items are provided in note 18 a) of the financial statements.

8. Cash Flows (continued)

Financing

Second Quarter 2017 v. Second Quarter 2016

For the three-month period ended June 30, 2017, cash flow provided in financing activities amounted to $59,933,000 compared to $76,620,000 for the same period in 2016.

Credit Facility with Macquarie Bank Limited ("Credit Facility")

In the second quarter of 2017, we drew down the incremental $60,000,000 available under the Credit Facility. For more information on the long-term debt, refer to note 8 of our financial statements.

Equipment Financing

In May 2016, we purchased equipment, a portion of which was financed by the supplier for an amount of $930,000 ("Equipment Financing"). For the three-month period ended June 30, 2017, we reimbursed $79,000 on the Equipment Financing.

Proceeds on Issuance of Share Capital from the Exercise of Options

A total of 13,000 options were exercised during the three-month period ended June 30, 2017 for a cash consideration of $12,000. For the same period in 2016, a total of 479,000 options were exercised for a cash consideration of $1,263,000.

Bought Deal Financing

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.

Dividends

In 2017, in light of our ongoing investment in Burkina Faso, no dividend will be paid to the non-controlling interest, which is the Government of Burkina Faso and which owns 10% of SEMAFO Burkina Faso S.A.
In the second quarter of 2016, a $10,359,000 dividend was paid.

First Six Months of 2017 v. First Six Months of 2016

For the six-month period ended June 30, 2017, cash flow used in financing activities amounted to $59,906,000, while $48,025,000 was used in 2016.

Credit Facility

In the first six months of 2017, we drew down the incremental $60,000,000 available under the Credit Facility. In the first six months of 2016, we reimbursed $30,000,000 of the Credit Facility as per its repayment schedule. For more information on the long-term debt, refer to note 8 of our financial statements.

Equipment Financing

In May 2016, we purchased equipment, a portion of which was financed by the supplier for an amount of $930,000. For the six-month period ended June 30, 2017, we reimbursed $155,000 on the Equipment Financing.

Proceeds on Issuance of Share Capital from the Exercise of Options

A total of 34,000 options were exercised during the six-month period ended June 30, 2017 for a cash consideration of $61,000. For the same period in 2016, a total of 1,343,000 options were exercised for a cash consideration of $2,668,000.

Dividends

In 2017, in light of our ongoing investment in Burkina Faso, no dividend will be paid to the non-controlling interest, which is the Government of Burkina Faso and which owns 10% of SEMAFO Burkina Faso S.A.
In the first six months of 2016, a $10,359,000 dividend was paid.

8. Cash Flows (continued)

Financing (continued)

Bought Deal Financing

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 June 30, 2017, proceeds of our 2016 offering had been used as follows:

	Announced use of proceeds	Actual use of proceeds, June 30, 2017
(in thousands)	$	$
Exploration at Mana and Boungou	36,287	29,661
Flexibility at Boungou Mine	22,679	12,000
Working capital and general corporate purposes	27,009	16,997
	85,975	**58,658**

Investing

For the three-month and six-month periods ended June 30, 2017, cash flow from investing activities used amounted to $58,941,000 and $96,173,000, respectively, compared to $20,397,000 and $39,940,000, respectively, in the same period in 2016.

Acquisition of Property Plant and Equipment

	Three-month period ended June 30,		Six-month period ended June 30,	
	2017	2016	2017	2016
(in thousands)	$	$	$	$
Sustaining capital	**3,408**	4,461	**5,908**	6,462
Stripping cost	**14,011**	7,383	**22,045**	17,331
Subtotal sustaining capital expenditures	**17,419**	11,844	**27,953**	23,793
Exploration expenditure	**8,546**	5,524	**14,635**	9,650
Construction - Boungou Mine a)	**30,529**	4,310	**52,159**	4,310
Capitalized borrowing costs	**1,012**	797	**1,853**	2,189
Feasibility study - Natougou Project	**—**	—	**—**	1,158
	57,506	22,475	**96,600**	41,100
Variation in unpaid acquisitions of property, plant and equipment	**(13,642)**	(2,078)	**(15,504)**	(1,160)
Total	**43,864**	20,397	**81,096**	39,940

a) As at June 30, 2017, construction of the Boungou Mine had advanced as follows:

	Construction - Boungou Mine
	$
As at December 31, 2016	16,856
Additions	52,159
As at June 30, 2017	**69,015**

Restricted Cash

For the three-month and six-month periods ended June 30, 2017, we deposited $15,000,000 related to the drawdown of the Credit Facility (2016: nil). Please refer to note 8 of our financial statements for more details. In addition, $77,000 was restricted for general corporate purposes (2016: nil).

9. Financial Instruments

The nature and extent of risks arising from financial instruments are described in note 10 of our annual audited consolidated financial statements.

10. 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 annual audited consolidated financial statements.

11. New Accounting Standards Issued but not yet in Effect

The new accounting standards issued but not yet in effect are disclosed in note 4 of our 2016 annual audited consolidated financial statements.

12. Financial Position

As at June 30, 2017, we held $283,297,000 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 and 2018, which relate primarily to the following activities:

- Construction of the Boungou Mine
- Exploration programs
- Capital expenditures at Mana

(in thousands)	As at June 30, 2017 $	As at December 31, 2016 $
Total current assets	**358,201**	344,621
Property, plant and equipment	**585,222**	536,237
Other non-current assets	**27,134**	14,418
Total assets	**970,557**	895,276
Current liabilities	**71,450**	57,602
Non-current liabilities	**156,160**	102,091
Total liabilities	**227,610**	159,693
Equity attributable to equity shareholders	**714,591**	708,028
Non-controlling interest	**28,356**	27,555

As at June 30, 2017, our total assets amounted to $970,557,000 compared to $895,276,000 as at December 31, 2016. Our total assets increased as a result of the acquisition of property plant and equipment related to the construction of the Boungou Mine. The increase is also due to the drawdown of the Credit Facility (note 8). Consequently, the non-current liabilities have increased.

13. 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 June 30, 2017 was $9,345,000 (December 31, 2016: $7,650,000).

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 the first and second quarter of 2017, we were subject to royalty rates of 4% (2016: 4% and 5%), which was calculated using the retail market value of gold ounces sold at the time of shipment. For the three-month and six-month periods ended June 30, 2017, government royalties amounting to $2,389,000 and $5,081,000 respectively (2016: $3,139,000 and $6,157,000 respectively) 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 June 30, 2017, purchase commitments totaled $79,817,000, of which $71,005,000 related to the Boungou Mine.

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 June 30, 2017, we were in compliance in all material respects with the obligations related to the ownership of our material permits.

Contractual obligations
In normal course of business, the Corporation entered into a service contract that commits it to minimum payments totaling $27,643,000 for the following three years, $10,366,000 of which within 12 months.

14. Risks and Uncertainties

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

Financial Risks

Fluctuation in Gold Prices
The profitability of our operations will be significantly affected by changes in the market price of gold. Gold production from mining operations and the willingness of third parties, such as central banks, to sell or lease gold affect the gold supply.

Demand for gold can be influenced by economic conditions, gold's attractiveness as an investment vehicle and the strength of the US dollar. Other factors include interest and exchange rates, inflation and political stability. The aggregate effect of these factors is impossible to predict with accuracy. Gold prices are also affected by worldwide production levels.

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

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

14. Risks and Uncertainties (continued)

Financial Risks (continued)

Exchange Rate Fluctuations

Our operations in West Africa are subject to currency fluctuations that may materially adversely affect our financial condition and results of operation. Gold is currently sold in US dollars and certain costs are incurred in other currencies. Also, we hold cash and cash equivalents that are denominated in non-US dollars which are subject to currency risk. The appreciation of non-US dollar currencies against the US dollar can increase the cost of exploration and production in US dollar terms, while the depreciation of our non-US dollar cash and cash equivalents can impact our balance sheet, either of which could materially adversely affect our financial condition and results of operation.

Interest Rate Fluctuations

As a borrower of 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.

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.

14. Risks and Uncertainties (continued)

Operational Risks (continued)

Nature of Mineral Exploration and Mining (continued)

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

Boungou Mine Development

The development of the Boungou Mine 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 Boungou Mine, 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 Boungou Mine could delay or prevent the construction process and completion as planned. There can be no assurance that the current construction plan for the Boungou Mine 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 Boungou Mine. 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 Boungou Mine 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 Boungou Mine 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 Gold Limited (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 deposit of Siou. Unless we acquire or develop additional mineral properties, any adverse development affecting our Mana property could materially adversely affect our financial condition and results of operation.

Depletion of our Mineral Reserves

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

14. Risks and Uncertainties (continued)

Operational Risks (continued)

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 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. 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.

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.

14. Risks and Uncertainties (continued)

Operational Risks (continued)

Title Matters (continued)

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. 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.

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.

14. Risks and Uncertainties (continued)

Operational Risks (continued)

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 any part of our information technology systems 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 system 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.

14. Risks and Uncertainties (continued)

Operational Risks (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.

15. Information on Outstanding Shares

As at August 8, 2017, our share capital comprised 324,873,700 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"). Since the adoption of the 2010 Plan by our shareholders at the 2010 Annual General and Special Shareholders' Meeting, no options have been granted under the Original Plan.

The plans provide for the grant of non-transferable options for the purchase of common shares. As at August 8, 2017, stock options allowing its holders to purchase 2,259,598 common shares were outstanding.

16. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure Controls and Procedures

Our disclosure controls and procedures (''DC&P'') are designed to provide reasonable assurance that information required to be disclosed in the annual filings, interim filings or other reports filed under securities legislation is recorded, processed, summarized and reported within the same time periods specified by those laws and include controls and procedures designed to ensure that material information required to be disclosed is accumulated and communicated to management, including the President and Chief Executive Officer (''CEO'') and Chief Financial Officer (''CFO''), our certifying officers, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Our internal control over financial reporting (''ICFR'') is designed to provide reasonable assurance regarding the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with IFRS. Under the supervision of the CEO and CFO, management is responsible for establishing and maintaining effective internal control over financial reporting.

There have been no changes in our ICFR during the three-month period ended June 30, 2017 which have materially affected, or are reasonably likely to materially affect our ICFR.

Limitations of DC&P and ICFR

All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the information required to be disclosed, financial statement preparation and presentation.

17. Quarterly Information

	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
(in thousands of dollars, except for amounts per share)								
Results								
Revenues – Gold sales	59,315	66,886	69,137	80,200	76,590	74,556	72,475	72,523
Operating income (loss)	(755)	(1,785)	4,806	23,016	14,428	17,836	12,549	19,486
Net income (loss)	9,348	(2,384)	(4,061)	19,559	7,078	18,691	1,796	14,491
Attributable to:								
- Equity shareholders	8,854	(2,691)	(4,949)	17,680	5,304	16,184	476	12,829
- Non-controlling interest	494	307	888	1,879	1,774	2,507	1,320	1,662
Basic earnings (loss) per share	0.03	(0.01)	(0.02)	0.05	0.02	0.05	—	0.04
Diluted earnings (loss) per share	0.03	(0.01)	(0.02)	0.05	0.02	0.05	—	0.04
Cash flows from operating activities[1]	23,614	23,147	30,362	39,266	37,390	35,204	39,430	34,830
MANA								
Operating data								
Ore mined (tonnes)	503,200	479,400	555,700	555,200	564,500	500,300	559,500	541,200
Ore processed (tonnes)	675,500	731,800	714,200	751,700	604,500	682,900	642,600	618,300
Head grade (g/t)	2.31	2.55	2.52	2.71	3.33	3.04	3.13	3.67
Recovery (%)	95	92	95	95	95	92	89	92
Gold ounces produced	47,600	55,400	55,100	62,500	61,300	61,300	57,500	67,200
Gold ounces sold	46,900	54,700	57,100	60,000	60,700	62,800	65,500	64,800
Statistics (in dollars)								
Average selling price (per ounce)	1,265	1,223	1,211	1,337	1,262	1,187	1,106	1,119
Cash operating cost (per tonne processed)[2]	43	52	40	41	49	42	42	47
Total cash cost (per ounce sold)[2]	703	699	571	574	547	505	493	485
All-in sustaining cost (per ounce sold)[2]	1,074	892	694	751	742	695	719	616
Depreciation (per ounce sold)[3]	527	460	364	330	331	275	331	296

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 performance measures" section of this MD&A, note 18.

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.

18. 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:

	Three-month period ended June 30,		Six-month period ended June 30,	
	2017	2016	2017	2016
Per tonne processed				
Tonnes of ore processed	675,500	604,500	1,407,300	1,287,400
(in thousands of dollars except per tonne)				
Mining operation expenses (relating to ounces sold)	32,962	33,210	71,219	64,950
Government royalties and selling expenses	(2,512)	(3,338)	(5,348)	(6,551)
Effects of inventory adjustments (doré bars and gold in circuit)	(1,696)	(147)	1,036	215
Operating costs (relating to tonnes processed)	28,754	29,725	66,907	58,614
Cash operating cost (per tonne processed)	**43**	49	**48**	46

Total Cash Cost

	Three-month period ended June 30,		Six-month period ended June 30,	
	2017	2016	2017	2016
Per ounce sold				
Gold ounce sold	46,900	60,700	101,600	123,500
(in thousands of dollars except per ounce)				
Mining operation expenses	32,962	33,210	71,219	64,950
Total cash cost (per ounce sold)	**703**	547	**701**	526

All-in Sustaining Cost

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

	Three-month period ended June 30,		Six-month period ended June 30,	
	2017	2016	2017	2016
Per ounce sold				
Gold ounce sold	46,900	60,700	101,600	123,500
(in thousands of dollars except per ounce)				
Sustaining capital expenditure	17,419	11,844	27,953	23,793
Sustaining capital expenditure (per ounce sold)	371	195	275	193
Total cash cost (per ounce sold)	703	547	701	526
All-in sustaining cost (per ounce sold)	**1,074**	742	**976**	719

18. Non-IFRS Financial Performance Measures (continued)

Operating Cash Flows per Share

(in thousands except per share)	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
Cash flows from operating activities[1]	23,614	37,390	46,761	72,594
Weighted average number of outstanding common shares - basic	324,872	317,067	324,861	305,767
Operating cash flows per share	**0.07**	0.12	**0.14**	0.24

Adjusted Accounting Measures

(in thousands of dollars except per share)	Three-month period ended June 30, 2017	Three-month period ended June 30, 2016	Six-month period ended June 30, 2017	Six-month period ended June 30, 2016
Net income attributable to equity shareholders as per IFRS	8,854	5,304	6,163	21,488
Foreign exchange (gain) loss	(6,103)	2,714	(6,932)	(2,195)
Tax effect of currency translation on tax base	(3,645)	1,893	(4,395)	(658)
Share-based compensation expense (recovery) related to change in the fair value of the share price	(1,999)	4,483	(2,103)	6,720
Adjusted net income (loss) attributable to equity shareholders	**(2,893)**	14,394	**(7,267)**	25,355
Weighted average number of outstanding shares	324,872	317,067	324,861	305,767
Adjusted basic earnings (loss) per share	**(0.01)**	0.05	**(0.02)**	0.08

(in thousands)	Three-month period ended June 30, 2017 $	Three-month period ended June 30, 2016 $	Six-month period ended June 30, 2017 $	Six-month period ended June 30, 2016 $
Operating income (loss) as per IFRS	(755)	14,428	(2,540)	32,264
Share-based compensation expense (recovery) related to change in the fair value of the share price	(1,999)	4,483	(2,103)	6,720
Adjusted operating income (loss)	**(2,754)**	18,911	**(4,643)**	38,984

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

19. Additional Information and Continuous Disclosure

This MD&A has been prepared as of August 8, 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.

20. 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 "targeting", "pursuing", "growth", "opportunities", "outlook", "strategy", "to be", "expected", "tendency", "continue", "scheduled for", "objective", "will", "with the aim of", "encouraging", "underway" 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 start production of the Boungou Mine in the third quarter of 2018, the ability to meet our 2017 outlook of between 190,000 and 205,000 ounces of gold at a total cash cost of between $685 and $715 per ounce and all-in sustaining cost of between $920 and $960 per ounce, the ability to mine the expected ore from Zone 9 through year-end 2017, the accuracy of our new block model, the ability of bringing the inferred resources into the indicated resources category in order to complete a pre-feasibility study in the first quarter of 2018 at Natougou, the ability to expand the resources at Siou, convert inferred resources into the indicated category and complete a pre-feasibility study in the first quarter of 2018, the ability to find extensions to the Bantou mineralized zone, the accuracy of our assumptions, 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.