SEMAFO Inc.

Condensed Interim Consolidated Financial Statements (unaudited)

September 30, 2017

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Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Interim Consolidated Statement of Financial Position

(Expressed in thousands of US dollars – unaudited)

	As at September 30, 2017 $	As at December 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents (Note 4)	256,761	273,772
Trade and other receivables (note 5)	19,385	16,945
Income tax receivable	229	—
Inventories (note 6)	53,601	51,391
Other current assets	4,575	2,513
	334,551	344,621
Non-current assets		
Advance receivable	2,981	3,060
Restricted cash (note 4)	21,182	5,689
Property, plant and equipment (note 7)	656,135	536,237
Intangible asset	1,427	1,595
Other non-current assets (note 8)	1,494	4,074
	683,219	550,655
Total assets	1,017,770	895,276
Liabilities		
Current liabilities		
Trade payables and accrued liabilities	66,711	41,964
Current portion of long-term debt (note 9)	310	310
Current portion of finance lease (note 10)	4,622	—
Share unit plans liabilities (note 15)	5,879	6,635
Provisions (note 11)	3,238	3,271
Income tax payable	—	5,422
	80,760	57,602
Non-current liabilities		
Long-term debt (note 9)	114,745	56,726
Finance Lease (note 10)	20,214	—
Share unit plans liabilities (note 15)	2,558	4,899
Provisions (note 11)	11,127	8,137
Deferred income tax liabilities	31,502	32,329
	180,146	102,091
Total liabilities	260,906	159,693
Equity		
Equity Shareholders		
Share capital	622,065	621,902
Contributed surplus	7,305	7,357
Accumulated other comprehensive income	1,494	1,095
Retained earnings	96,061	77,674
	726,925	708,028
Non-controlling interest	29,939	27,555
Total equity	756,864	735,583
Total liabilities and equity	1,017,770	895,276

Financial commitments and contingencies (note 19)

Approved by the Board of Directors,

Jean Lamarre, Director

Benoit Desormeaux, CPA, CA, Director

Interim Consolidated Statement of Income

(Expressed in thousands of US dollars, except per share amounts – unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Revenue – Gold sales	69,832	80,200	196,033	231,346
Costs of operations				
Mining operation expenses (note 13)	30,340	34,438	101,559	99,388
Depreciation of property, plant and equipment	21,921	19,880	71,984	57,384
General and administrative (note 14)	3,453	3,195	10,324	10,503
Corporate social responsibility expenses	302	247	766	562
Share-based compensation (note 15)	1,997	(576)	2,121	8,229
Operating income	11,819	23,016	9,279	55,280
Other expenses (income)				
Finance income	(952)	(519)	(2,488)	(1,465)
Finance costs (note 16)	336	314	981	1,678
Foreign exchange gain	(2,779)	(191)	(9,711)	(2,386)
Income before income taxes	15,214	23,412	20,497	57,453
Income tax expense (recovery)				
Current (note 17)	1,331	3,521	3,566	14,086
Deferred (note 17)	76	332	(3,840)	(1,961)
	1,407	3,853	(274)	12,125
Net income for the period	13,807	19,559	20,771	45,328
Attributable to:				
Equity shareholders	12,224	17,680	18,387	39,168
Non-controlling interest	1,583	1,879	2,384	6,160
	13,807	19,559	20,771	45,328
Earnings per share (note 18)				
Basic	0.04	0.05	0.06	0.13
Diluted	0.04	0.05	0.06	0.13

Interim Consolidated Statement of Comprehensive Income

(Expressed in thousands of US dollars – unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Net income for the period	13,807	19,559	20,771	45,328
Other comprehensive income				
Item that may be classified to net income				
Change in fair value of the investment in GoviEx (net of tax of nil) (note12)	60	1,046	399	1,046
Total comprehensive income for the period, net of tax	13,867	20,605	21,170	46,374
Attributable to:				
Equity shareholders	12,284	18,726	18,786	40,214
Non-controlling interest	1,583	1,879	2,384	6,160
	13,867	20,605	21,170	46,374

Interim Consolidated Statement of Changes in Equity

(Expressed in thousands of US dollars, except for shares – unaudited)

	Attributable to equity shareholders							
	Share capital							
	Common shares[1] (in thousands)	Amount $	Contributed surplus $	Accumulated other comprehensive income $	Retained earnings $	Total $	Non-controlling interest $	TOTAL EQUITY $
Balance – January 1, 2016	294,321	516,070	10,685	—	48,242	574,997	30,866	605,863
Net income for the period	—	—	—	—	39,168	39,168	6,160	45,328
Other comprehensive income for the period								
Changes in fair value of the investment in GoviEx (net of tax of nil)	—	—	—	1,046	—	1,046	—	1,046
Total income and comprehensive income for the period	**—**	**—**	**—**	**1,046**	**39,168**	**40,214**	**6,160**	**46,374**
Shares issued from the exercise of options	2,427	9,370	(3,328)	—	—	6,042	—	6,042
Shares issued in public bought deal (net of share issued expenses of $4,787)	26,450	90,762	—	—	(4,787)	85,975	—	85,975
Shares issued in consideration of financing costs on amendments to credit facility with Macquarie	1,642	5,700	—	—	—	5,700	—	5,700
Dividend paid by a subsidiary to non-controlling interest	—	—	—	—	—	—	(10,359)	(10,359)
Balance – September 30, 2016	**324,840**	**621,902**	**7,357**	**1,046**	**82,623**	**712,928**	**26,667**	**739,595**
Balance – January 1, 2017	324,840	621,902	7,357	1,095	77,674	708,028	27,555	735,583
Net income for the period	—	—	—	—	18,387	18,387	2,384	20,771
Other comprehensive income for the period								
Changes in fair value of the investment in GoviEx (net of tax of nil) (note12)	—	—	—	399	—	399	—	399
Total income and comprehensive income for the period, net of tax	**—**	**—**	**—**	**399**	**18,387**	**18,786**	**2,384**	**21,170**
Shares issued from the exercise of options	84	163	(52)	—	—	111	—	111
Balance – September 30, 2017	**324,924**	**622,065**	**7,305**	**1,494**	**96,061**	**726,925**	**29,939**	**756,864**

[1] There were no common shares that were unpaid as at September 30, 2017 (September 30, 2016: nil).

Interim Consolidated Statement of Cash Flows

(Expressed in thousands of US dollars – unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Cash flows from (used in):				
Operating activities				
Net income for the period	13,807	19,559	20,771	45,328
Adjustments for:				
Depreciation of property, plant and equipment	21,921	19,880	71,984	57,384
Share-based compensation	1,997	(576)	2,121	8,229
Unrealized foreign exchange loss (gain)	(2,879)	172	(9,218)	(2,756)
Deferred income tax expense (recovery)	76	332	(3,840)	(1,961)
Adjustment for withholding taxes	—	—	—	5,827
Other	(69)	(101)	(204)	(191)
	34,853	39,266	81,614	111,860
Changes in non-cash working capital items (note 20 a)	(3,096)	8,052	(11,690)	11,239
Net cash provided by operating activities	31,757	47,318	69,924	123,099
Financing activities				
Drawdown (repayment) of long-term debt (note 9)	(76)	(52)	59,769	(30,052)
Payments of finance lease (note 10)	(4,003)	—	(4,003)	—
Long-term debt transaction costs	—	—	—	(259)
Proceeds on issuance of share capital, net of expenses	50	3,374	111	92,017
Dividend paid by a subsidiary to non-controlling interest	—	—	—	(10,359)
Net cash provided by (used in) financing activities	(4,029)	3,322	55,877	51,347
Investing activities				
Acquisition of property, plant and equipment (note 20 c)	(58,020)	(22,840)	(139,116)	(62,780)
Decrease (increase) in restricted cash (note 4)	223	210	(14,854)	210
Net cash used in investing activities	(57,797)	(22,630)	(153,970)	(62,570)
Effect of exchange rate changes on cash and cash equivalents	3,533	159	11,158	3,197
Change in cash and cash equivalents during the period	(26,536)	28,169	(17,011)	115,073
Cash and cash equivalents – beginning of period	283,297	254,070	273,772	167,166
Cash and cash equivalents – end of period	256,761	282,239	256,761	282,239
Interest paid	1,739	1,065	3,519	3,557
Interest received	770	419	1,902	1,273
Income tax paid	3,208	2,237	8,875	8,410

Supplementary information on non-cash items (note 20 b)

1. Incorporation and Nature of Activities of the Corporation

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

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

2. Basis of Preparation

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

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Corporation's annual financial statements for the year ended December 31, 2016. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2016 which have been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved these condensed interim consolidated financial statements on November 7, 2017.

Significant Subsidiaries (Consolidated) – Ownership

	Country	September 30, 2017	December 31, 2016
SEMAFO Burkina Faso S.A.	Burkina Faso	90%	90%
SEMAFO Boungou S.A.	Burkina Faso	90%	90%
Birimian Resources S.A.R.L.	Burkina Faso	100%	100%
Mana Minéral S.A.R.L.	Burkina Faso	100%	100%
SEMAFO (Barbados) Ltd.	Barbados	100%	100%

3. Summary of Significant Accounting Policies

The following significant accounting policies complement those described in our annual audited consolidated financial statements for the period ended December 31, 2016.

Lease

Leases in which the Corporation assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized as Property, Plant and Equipment at the lower of the fair value and the present value of minimum lease payments at inception of the lease. All other leases are classified as operating leases. Operating lease payments are recognized as an operating cost in profit or loss on a straight-line basis over the lease term.

The most significant estimate in the assessment lies in the Corporation's calculation of the fair value of the minimum lease payments on an asset by asset basis and its comparison to the fair value of the assets at the inception of the lease to conclude whether all the risks and rewards incidental to ownership of the leased items were transferred to the Corporation as a lessee.

Property, Plant and Equipment

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the lease contract.

4. Cash and Cash Equivalents and Restricted Cash

	As at September 30, 2017 $	As at December 31, 2016 $
Cash and Cash equivalents	**256,761**	273,772
Restricted Cash	**21,182**	5,689
	277,943	279,461

The restricted cash mainly includes an amount of $15,000,000 relative to the deposit account for long-term debt with Macquarie (note 9) and an amount of $5,204,000 relative to asset retirement obligations.

5. Trade and Other Receivables

	As at September 30, 2017 $	As at December 31, 2016 $
Gold trade receivables	**633**	90
Other receivables	**17,871**	16,068
Current portion of the advance receivable	**881**	787
	19,385	16,945

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

Other receivables include VAT receivables totaling $16,340,000 as at September 30, 2017 (December 31, 2016: $14,905,000). They are non-interest bearing and are generally settled within one to twelve months.

For the three-month and nine-month periods ended September 30, 2017, there was no provision on VAT receivables (2016: nil and $637,000, respectively).

The Corporation holds no collateral for any receivable amounts outstanding as at September 30, 2017 (December 31, 2016: nil).

6. Inventories

	As at September 30, 2017 $	As at December 31, 2016 $
Doré bars	**—**	—
Gold in circuit	**13,162**	9,305
Stockpiles	**3,981**	6,475
Supplies and spare parts	**36,458**	35,611
	53,601	51,391

7. Property, Plant and Equipment

	Property, acquisition costs, deferred exploration and development costs	Exploration and evaluation assets (ii)	Mineral properties under develop-ment (iii)	Buildings and equipment related to mining production	Mining equipment (v)	Rolling stock, communi-cation and computer equipment	TOTAL
	$	$	$	$	$	$	$
Nine-month period ended September 30, 2017							
Opening net book amount	184,155	27,207	179,051	102,751	40,110	2,963	536,237
Additions	49,087	2,869	110,612	3,316	32,008	795	198,687
Retirement of assets	—	—	—	(514)	—	—	(514)
Depreciation charge	(55,360)	—	—	(10,782)	(11,574)	(559)	(78,275)
Closing net book amount	**177,882**	**30,076**	**289,663**	**94,771**	**60,544**	**3,199**	**656,135**
As at September 30, 2017							
Cost	488,960	30,076	289,663	200,280	115,995	11,899	1,136,873
Accumulated depreciation	(311,078)	—	—	(105,509)	(55,451)	(8,700)	(480,738)
Net book amount	**177,882**	**30,076**	**289,663**	**94,771**	**60,544**	**3,199**	**656,135**
Assets not subject to depreciation included in above (i)	—	30,076	289,663	1,243	6,140	133	327,255
Year ended December 31, 2016							
Opening net book amount	182,676	182,097	—	114,400	46,254	3,660	529,087
Additions	49,475	33,074	—	5,693	12,059	333	100,634
Reclassification	—	(179,051)	179,051	—	—	—	—
Retirement of assets	(213)	—	—	(895)	(2,893)	(31)	(4,032)
Impairment (iv)	—	(8,913)	—	—	—	—	(8,913)
Depreciation charge	(47,783)	—	—	(16,447)	(15,310)	(999)	(80,539)
Closing net book amount	184,155	27,207	179,051	102,751	40,110	2,963	536,237
As at December 31, 2016							
Cost	439,873	27,207	179,051	198,582	101,486	11,104	957,303
Accumulated depreciation	(255,718)	—	—	(95,831)	(61,376)	(8,141)	(421,066)
Net book amount	184,155	27,207	179,051	102,751	40,110	2,963	536,237
Assets not subject to depreciation included in above (i)	—	27,207	179,051	1,519	13,718	16	221,511

(i) Assets not subject to depreciation include critical spare parts not yet installed of $6,578,000 (December 31, 2016: $6,739,000) as well as assets under construction, in transit or exploration and evaluation assets of $320,677,000 (December 31, 2016: $214,772,000).

(ii) Exploration and evaluation assets mainly comprise farm-in agreements, mining rights and exploration and evaluation expenditures which typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore such as topographical, geological, geochemical and geophysical studies.

(iii) Mineral properties under development includes $129,193,000 from the acquisition of Orbis in 2015. The amount of borrowing costs capitalized for the three-month and nine-month periods ended September 30, 2017 represented $3,132,000 and 5,634,000, respectively (2016: $881,000 and $3,459,000, respectively).

(iv) During the year ended December 31, 2016, the Corporation recorded an impairment loss of $8,913,000 previously capitalized as "exploration and evaluation assets" within "property, plant and equipment". The Corporation has no plans to further develop the Banfora Zone as substantive expenditure on further exploration and evaluation of mineral resources in the Banfora Zone is neither budgeted nor planned.

(v) During the third quarter of 2017, the Corporation capitalized $28,839,000 as "mining equipment" related to finance lease (note 9).

8. Other Non-Current Assets

The other non-current assets include the investment in GoviEx Uranium Inc. ("GoviEx") amounting to $1,494,000 (December 31, 2016: $1,095,000) (note12).

On June 20, 2017, the financing fees amounting to $2,979,000 relating to the Credit Facility were reclassified to long-term debt (note 9).

9. Long-Term Debt

Long-term debt consists of the following:

	As at September 30, 2017 $	As at December 31, 2016 $
Credit facility (a)	**120,000**	60,000
Unamortized deferred transaction costs	**(5,515)**	(3,765)
Equipment financing (b)	**570**	801
Long-term debt, net of deferred transaction costs	**115,055**	57,036
Current portion	**310**	310
Non-current portion	**114,745**	56,726
	115,055	57,036

(a) Credit Facility with Macquarie

On June 20, 2017, the Corporation drew down the incremental $60,000,000 of the Credit Facility. The related financing fees of $2,979,000 capitalized in "other non-current assets" were reclassified as unamortized deferred transaction costs.

As at September 30, 2017, the Credit Facility amounted to $120,000,000 and bore interest at a rate equal to LIBOR plus 4.75% per annum, principal repayable in eight equal quarterly installments of $15,000,000, the first principal repayment starting March 31, 2019. The Credit Facility is secured by a pledge of all assets of SEMAFO Inc., which include SEMAFO (Barbados) Ltd. shares.

In connection with the drawdown on June 20, 2017, the Corporation is required to maintain an amount of $25,000,000 in a distinct account. This requirement will be lifted when the Corporation commences commercial production at the Boungou Mine and the Credit Facility amount has been lowered to $90,000,000. In addition, the Corporation is required to deposit $15,000,000 until the Credit Facility is less than or equal to $30,000,000; this amount was recorded as restricted cash (note 4).

The Credit Facility is subject to maintaining the minimum following consolidated covenants on a quarterly basis, until the date of commercial production at the Boungou Mine:

- Current Ratio of greater than 1.00:1.00
- Ratio of Forecast Cash Flow to Net Debt of not less than 1.50:1.00

As at September 30, 2017, all covenants were respected.

The Corporation may prepay amounts outstanding under the Credit Facility in whole or in part at any time, without penalty.

(b) Equipment financing

In May 2016, the Corporation purchased equipment, a portion of which was financed by the supplier for an initial amount of $930,000 ("Equipment financing"). The Equipment financing bears interest at a rate of 7,25% per annum. The interest and principal are payable in 36 monthly installments commencing in August 2016. As at September 30, 2017, the outstanding Equipment financing amounted to $570,000.

10. Finance Lease

In July, 2017, the Corporation entered into a mining services agreement ("Mining Agreement") with African Mining Service Burkina Faso SARL ("AMS") for the Boungou Mine. The Mining Agreement has an initial duration of five years and can be extended by the Corporation under the period, terms and conditions negotiated by both parties before the end of the contract.

The mining services provided by AMS include the extraction and haul of the ore and waste in a safe and efficient manner to ensure feed to the plant or designated stockpiles. AMS will also provide a skilled labor force and the equipment needed to perform the mining services. The Corporation remains responsible for the mining plan.

Based on the substance of the Mining Agreement at the inception date, it was determined that it contains finance leases with respect to the mining fleet. The Corporation recognized $28,839,000 as a finance lease asset and a corresponding amount as a finance lease obligation.

The implied finance costs on the liability were determined based on the Corporation's incremental borrowing rate which has been estimated at 7%.

Finance lease consists of the following:

	As at September 30, 2017 $	As at December 31, 2016 $
Opening balance	—	—
New debt obligations under finance lease	28,839	—
Mobilization payment	(2,896)	—
Payments	(1,107)	—
Finance Lease	**24,836**	**—**
Current portion	4,622	—
Non current portion	20,214	—
	24,836	**—**

The future minimum payments for the Corporation financial lease are as follows:

	Less than one year $	Between one year and five years $	Total
Minimum lease payment	4,622	20,214	24,836
Financial charges	1,592	2,786	4,378
	6,214	**23,000**	**29,214**

11. Provisions

	As at September 30, 2017 $	As at December 31, 2016 $
Current	**3,238**	3,271
Non-current	**11,127**	8,137
	14,365	11,408

	Asset retirement obligations $	Other $	Total $
As at January 1, 2016	6,676	6,983	13,659
Variation due to additional provisions, accretion expense, exchange rate and provision used during the period	974	147	1,121
Portion classified in "trade payables and accrued liabilities"	—	(964)	(964)
Reversal of provisions	—	(2,408)	(2,408)
As at December 31, 2016	7,650	3,758	11,408
Additional provisions	2,704	—	2,704
Variation due to accretion expense, exchange rate and provision used during the period	402	(149)	253
As at September 30, 2017	**10,756**	**3,609**	**14,365**

Asset Retirement Obligations

The liability for asset retirement obligations as at September 30, 2017 was $10,756,000 (December 31, 2016: $7,650,000). The estimated undiscounted value of this liability was $16,475,000 (December 31, 2016: $11,335,000). These disbursements are expected to be made during the years 2017 to 2030.

Other

a) Other provisions include a special compensation arrangement made with the former President and Chief Executive Officer, which amounted to $592,000 as at September 30, 2017 (December 31, 2016: $693,000).

b) Other provisions also include various tax exposures amounting to $3,017,000 as at September 30, 2017 (December 31, 2016: $3,065,000). From time to time, the Corporation is subject to a review of its income tax filings and other taxes and, in connection with such reviews, disputes can arise with the taxation authorities over the interpretation or application of certain rules to the Corporation's business conducted in a given country.

   In October 2016, the Corporation received a tax assessment from the Burkinabé tax authorities covering the years 2013 to 2015 totaling $8,174,000 (4,537,818,000 FCFA), which includes $1,465,000 (813,329,000 FCFA) in penalties and mainly covers withholding taxes. The Corporation is vigorously defending its positions and has initiated administrative procedures of revision.

   The inherent uncertainty regarding the outcome of these disputes means that the eventual resolution could differ from the accounting estimates and therefore impact the Corporation's financial position and results of operations.

12. Financial Instruments

Measurement Categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the profit or loss or in other comprehensive income. These categories are loans and receivables, available-for-sale assets and financial liabilities at amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories as at September 30, 2017 and December 31, 2016.

	As at September 30, 2017 $	As at December 31, 2016 $
Financial assets		
Loans and receivables		
Cash and cash equivalents	**256,761**	273,772
Restricted cash	**21,182**	5,689
Gold trade receivables	**633**	90
Advance receivable	**3,862**	3,847
Other receivables (excluding VAT)	**1,531**	1,163
Available-for-sale assets		
Investment in GoviEx	**1,494**	1,095
	285,463	285,656
Financial liabilities		
Amortized cost		
Trade payables and other financial liabilities	**60,794**	38,295
Long-term debt	**115,055**	57,036
Finance Lease	**24,836**	—
	200,685	95,331

Fair Value

Current financial assets and liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities; this includes cash and cash equivalents, gold trade receivables, other receivables (excluding VAT) and trade payables and other financial liabilities. The fair value of the advance receivable was estimated by discounting the future cash flows which approximates its carrying value. The fair value of restricted cash approximates its carrying amount. Long-term debt was accounted for at amortized cost and its fair value approximates its carrying value. Finance leases are recognized at the lower of the fair value and the present value of minimum lease payments at inception of the lease.

The fair value hierarchy under which the Corporation's financial instruments are valued is as follows:

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 includes inputs for the asset or liability that are not based on observable market data.

The Corporation's finance department is responsible for performing the valuation of financial instruments, including Level 3 fair values. The valuation process and results are reviewed and approved by management every quarter, in line with the Corporation's quarterly reporting dates. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Corporation's condensed interim consolidated financial statements. On the basis of its analysis of the nature, characteristics and risks of equity securities, the Corporation has determined that presenting them by type of investment is appropriate.

12. Financial Instruments (continued)

Advance receivable
The advance receivable is classified as a loan and receivable and it is measured at amortized cost using the effective interest rate method. As the information on fair value is disclosed for the advance receivable, it is classified as a Level 3 according to the Corporation's fair value hierarchy. The valuation technique used is the income approach (discounted future cash flows) with an effective interest rate of 7% over a seven-year period. Interest income is recognized in the interim consolidated statement of income as part of "finance income". The fair value as at September 30, 2017 was $3,862,000 (December 31, 2016: $3,847,000) and was not significantly different from its carrying amount.

Investment in GoviEx
The investment in GoviEx, a publicly traded mineral resources company focused on the exploration and development of uranium properties in Africa, is classified as available-for-sale assets. Its fair value is a recurring measurement. On July 11, 2016, GoviEx transferred its listing from the Canadian Securities Exchange ("CSE") to the TSX Venture Exchange ("TSX-V") and concurrently, delisted from the CSE. On June 8, 2017, GoviEx began to be exchanged on the OTCQB Venture Market in the United States.

Prior to the delisting from the CSE, the GoviEx investment was classified as a Level 3 financial instrument according to its fair value hierarchy. Subsequent to its transfer to the TSX-V, the investment in GoviEx was transferred from the Level 3 to the Level 1 in the fair value hierarchy during the year ended December 31, 2016. In accordance with the Corporation's policy and using the last closing price observed on the TSX-V, the Corporation estimates the fair value of this available-for-sale investment to be $1,494,000 as at September 30, 2017 (December 31, 2016: $1,095,000).

There were no transfers between Level 1, Level 2 and Level 3 during the three-month period ended September 30, 2017.

13. Mining Operation Expenses

The following table details mining operation expenses by nature:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Operating and maintenance supplies and services	**22,005**	18,902	**65,406**	53,721
Fuel	**12,226**	10,570	**34,042**	31,426
Employee benefits expenses	**7,455**	6,919	**21,842**	21,833
Reagents	**2,849**	2,918	**8,289**	8,249
Inventory change	**(3,648)**	1,864	**(509)**	2,417
Less: Production expenses capitalized as stripping cost	**(13,558)**	(10,763)	**(35,603)**	(28,443)
Total Production costs	**27,329**	30,410	**93,467**	89,203
Government royalties	**3,011**	4,028	**8,092**	10,185
Mining Operation Expenses	**30,340**	34,438	**101,559**	99,388

14. General and Administrative

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Corporate expenses	**2,767**	2,306	**8,426**	8,329
Sites – Administrative	**686**	889	**1,898**	2,174
	3,453	3,195	**10,324**	10,503

15. Share-Based Compensation

The following table details the share unit plans liabilities:

	As at September 30, 2017 $	As at December 31, 2016 $
Current	**5,879**	6,635
Non-current	**2,558**	4,899
	8,437	11,534

The following table provides the break-down of the share-based compensation expense by type of share unit:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017 $	2016 $	2017 $	2016 $
Restricted Share Unit	**1,690**	(252)	**1,857**	6,934
Deferred Share Unit	**241**	(336)	**206**	1,179
Performance Share Unit	**66**	12	**58**	116
	1,997	(576)	**2,121**	8,229

The following table breaks down the share-based compensation expense related to the change in the fair value of share price and outstanding units:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017 $	2016 $	2017 $	2016 $
Expense related to outstanding units	**919**	989	**3,146**	3,074
Expense (recovery) related to change in the fair value of the share price	**1,078**	(1,565)	**(1,025)**	5,155
	1,997	(576)	**2,121**	8,229

16. Finance Costs

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017 $	2016 $	2017 $	2016 $
Accretion expense	**139**	125	**413**	377
Other	**197**	189	**568**	1,301
	336	314	**981**	1,678

17. Income Taxes

Income Tax Expense

The tax on the Corporation's income before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
Income before income taxes	**15,214**	23,412	**20,497**	57,453
Canadian combined tax rate	**26.80%**	26.90%	**26.80%**	26.90%
Tax calculated at Canadian combined tax rate	**4,077**	6,298	**5,493**	15,455
Tax effects of:				
Difference in tax rate of foreign subsidiaries	**(1,423)**	(2,506)	**(1,611)**	(6,598)
Unrecorded tax benefits	**488**	(189)	**703**	2,512
Permanent differences	**(1,921)**	(137)	**(2,508)**	(225)
Adjustment in respect of prior years	**(49)**	—	**90**	41
Foreign exchange gain not materialized	**643**	270	**90**	85
Effect of currency translation on tax base	**(2,077)**	(1,069)	**(6,472)**	(1,727)
Other taxes included in income tax expense	**1,271**	855	**3,619**	2,281
Other	**398**	331	**322**	301
Income tax (recovery) expense	**1,407**	3,853	**(274)**	12,125

18. Earnings per Share

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	2017	2016
	$	$	$	$
(in thousands, except per share)				
Net income for the period attributable to equity shareholders	**12,224**	17,680	**18,387**	39,168
Average weighted number of outstanding common shares – basic	**324,899**	324,580	**324,874**	312,084
Dilutive effect of options	**498**	1,187	**593**	969
Weighted average number of outstanding common shares – diluted	**325,397**	325,767	**325,467**	313,053
Earnings per share	**0.04**	0.05	**0.06**	0.13
Diluted earnings per share	**0.04**	0.05	**0.06**	0.13

19. Financial Commitments and Contingencies

Purchase Obligations
As at September 30, 2017, purchase commitments totaled $61,875,000, of which $53,615,000 related to the Boungou Mine.

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.

For the three-month and nine-month periods ended September 30, 2017, the Corporation was subject to royalty rates of 4% and 5% (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 nine-month periods ended September 30, 2017, government royalties amounting to $3,011,000 and $8,092,000, respectively (2016: $4,028,000 and $10,185,000, respectively), were paid to the Government of Burkina Faso.

Net Smelter Royalty ("NSR")
The Corporation is subject to an NSR of 1% on various exploration properties. The NSR comes into effect when the Corporation enters into commercial production.

Contingencies
On October 15, 2015, the Corporation received a water extraction tax invoice of $4,043,000 (2,244,166,000 FCFA). The Corporation is exempt from this tax under its mining agreement for the Mana Mine pursuant to fiscal stability clauses. As a result, no provision was recorded in the unaudited interim consolidated financial statements as at September 30, 2017. The Corporation is vigorously defending its position with the Water Agency.

Contractual obligations
In the normal course of business, the Corporation entered into a service contract that commits it to minimum payments totaling $25,052,000 for the following three years, $10,366,000 of which within 12 months.

20. Financial Information Included in the Interim Consolidated Statement of Cash Flows

a) Changes in non-cash working capital items

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Trade and other receivables	**4,815**	777	**(1,723)**	982
Income tax receivable	**(229)**	—	**(229)**	1,634
Inventories	**(5,482)**	722	**(1,355)**	4,769
Other current assets	**(629)**	750	**(2,062)**	(364)
Trade payables and accrued liabilities	**272**	4,431	**4,066**	7,730
Share unit liabilities	**—**	—	**(5,218)**	(607)
Provisions	**110**	68	**253**	(3,362)
Withholding taxes	**—**	—	**—**	(5,827)
Income tax payable	**(1,953)**	1,304	**(5,422)**	6,284
	(3,096)	8,052	**(11,690)**	11,239

b) Supplemental information on non-cash items

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Depreciation of property, plant and equipment allocated to exploration and development costs	**1,375**	1,444	**3,715**	4,427
Depreciation of property, plant and equipment allocated to mineral properties under development	**2,403**	—	**2,403**	—
Net effect of depreciation of property, plant and equipment allocated to inventories	**1,113**	508	**855**	171
New asset retirement obligations allocated to property, plant and equipment	**1,277**	87	**2,704**	276
Variation in accounts payables related to property, plant and equipment	**(5,177)**	(2,565)	**(20,681)**	(2,335)
Amortization of capitalized financing fees	**580**	94	**1,229**	483

c) Supplemental information on acquisitions of property, plant and equipment

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Acquisitions of exploration and evaluation assets	**(410)**	(7,350)	**(2,142)**	(19,229)
Acquisitions of other property, plant and equipment	**(57,610)**	(15,490)	**(136,974)**	(43,551)
	(58,020)	(22,840)	**(139,116)**	(62,780)

21. Segmented Information

The Corporation is conducting exploration and production activities in Burkina Faso. The business segments presented reflect the management structure of the Corporation and the way in which the Corporation's chief operating decision maker reviews business performance. The Corporation evaluates the performance of its operating segments primarily based on segment operating income, as defined below.

				Three-month period ended September 30, 2017	
	Mana, Burkina Faso	Boungou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	69,832	—	—	—	69,832
Mining operating expenses	30,340	—	—	—	30,340
Depreciation of property, plant and equipment	21,831	—	—	90	21,921
General and administrative	686	—	—	2,767	3,453
Corporate social responsibility expenses	302	—	—	—	302
Share-based compensation	—	—	—	1,997	1,997
Operating income (loss)	**16,673**	**—**	**—**	**(4,854)**	**11,819**
Property, plant and equipment	307,550	316,951	30,107	1,527	656,135
Total assets	445,334	353,456	31,893	187,087	1,017,770

				Three-month period ended September 30, 2016	
	Mana, Burkina Faso	Boungou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	80,200	—	—	—	80,200
Mining operating expenses	34,438	—	—	—	34,438
Depreciation of property, plant and equipment	19,814	—	—	66	19,880
General and administrative	889	—	—	2,306	3,195
Corporate social responsibility expenses	247	—	—	—	247
Share-based compensation	—	—	—	(576)	(576)
Operating income (loss)	**24,812**	**—**	**—**	**(1,796)**	**23,016**
Property, plant and equipment	329,156	166,954	35,984	1,772	533,866
Total assets	478,237	166,954	37,048	216,383	898,622

21. Segmented Information (continued)

	Nine-month period ended September 30, 2017				
	Mana, Burkina Faso	Boungou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	196,033	—	—	—	196,033
Mining operating expenses	101,559	—	—	—	101,559
Depreciation of property, plant and equipment	71,714	—	—	270	71,984
General and administrative	1,898	—	—	8,426	10,324
Corporate social responsibility expenses	669	97	—	—	766
Share-based compensation	—	—	—	2,121	2,121
Operating income (loss)	**20,193**	**(97)**	**—**	**(10,817)**	**9,279**

	Nine-month period ended September 30, 2016				
	Mana, Burkina Faso	Boungou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	231,346	—	—	—	231,346
Mining operating expenses	99,388	—	—	—	99,388
Depreciation of property, plant and equipment	57,187	—	—	197	57,384
General and administrative	2,174	—	—	8,329	10,503
Corporate social responsibility expenses	562	—	—	—	562
Share-based compensation	—	—	—	8,229	8,229
Operating income (loss)	**72,035**	**—**	**—**	**(16,755)**	**55,280**

The Corporation's revenue is derived from one major customer. The Corporation is not economically dependent on a limited number of customers for the sale of gold because gold can be sold through numerous commodity market traders worldwide.