# SEMAFO Inc.

Interim Consolidated Financial Statements (unaudited)

March 31, 2019

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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 Statements of Financial Position

(Expressed in thousands of US dollars - unaudited)

| | As at March 31, 2019 $ (Note 4) | As at December 31, 2018 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 6) | **98,985** | 96,519 |
| Trade and other receivables (note 7) | **38,163** | 29,434 |
| Income tax receivable | **6,681** | 6,390 |
| Inventories (note 8) | **84,602** | 83,211 |
| Other current assets | **5,245** | 5,378 |
| | **233,676** | 220,932 |
| **Non-current assets** | | |
| Advance receivable | **1,916** | 2,117 |
| Restricted cash (note 6) | **25,163** | 25,340 |
| Property, plant and equipment (note 9) | **796,554** | 782,060 |
| Intangible asset | **1,167** | 1,204 |
| Other non-current financial assets (note 10) | **5,137** | 2,622 |
| | **829,937** | 813,343 |
| **Total assets** | **1,063,613** | 1,034,275 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade payables and accrued liabilities | **61,172** | 63,905 |
| Current portion of long-term debt (note 11) | **60,104** | 60,181 |
| Current portion of lease liabilities (note 12) | **11,793** | 7,820 |
| Current portion of share unit plan liabilities (note 17) | **4,172** | 3,311 |
| Provisions (note 13) | **2,928** | 3,051 |
| | **140,169** | 138,268 |
| **Non-current liabilities** | | |
| Long-term debt (note 11) | **42,968** | 57,388 |
| Lease liabilities (note 12) | **23,653** | 20,144 |
| Share unit plan liabilities (note 17) | **2,092** | 2,263 |
| Provisions (note 13) | **24,022** | 23,561 |
| Deferred income tax liabilities | **53,705** | 39,548 |
| | **146,440** | 142,904 |
| **Total liabilities** | **286,609** | 281,172 |
| **Equity** | | |
| **Shareholders of the Corporation** | | |
| Share capital | **624,308** | 623,604 |
| Contributed surplus | **6,497** | 6,771 |
| Accumulated other comprehensive loss | **(16,560)** | (18,909) |
| Retained earnings | **126,882** | 109,216 |
| | **741,127** | 720,682 |
| **Non-controlling interests** | **35,877** | 32,421 |
| **Total equity** | **777,004** | 753,103 |
| **Total liabilities and equity** | **1,063,613** | 1,034,275 |

Financial commitments and contingencies (note 21)
Event after the reporting period (note 24)

**Approved by the Board of Directors,**

Gilles Masson, CPA, CA, Director

Benoit Desormeaux, CPA, CA, Director

## Interim Consolidated Statements of Income (Loss)

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

| | Three-month period ended March 31, 2019 $ | 2018 $ |
|---|---|---|
| **Revenue – Gold sales** | 138,541 | 62,698 |
| **Costs of operations** | | |
| Mining operation expenses (note 15) | 51,405 | 39,778 |
| Depreciation of property, plant and equipment | 39,628 | 25,428 |
| General and administrative (note 16) | 3,960 | 3,917 |
| Corporate social responsibility expenses | 357 | 222 |
| Share-based compensation (note 17) | 2,832 | 1,418 |
| **Operating income (loss)** | 40,359 | (8,065) |
| **Other expenses (income)** | | |
| Finance income | (548) | (641) |
| Finance costs (note 18) | 3,556 | 313 |
| Foreign exchange loss (gain) | 496 | (428) |
| **Income (loss) before income taxes** | 36,855 | (7,309) |
| **Income tax expense (recovery)** | | |
| Current | 734 | 527 |
| Deferred | 14,999 | (2,936) |
| | 15,733 | (2,409) |
| **Net income (loss) for the period** | 21,122 | (4,900) |
| **Attributable to:** | | |
| Shareholders of the Corporation | 17,666 | (4,710) |
| Non-controlling interests (note 19) | 3,456 | (190) |
| | 21,122 | (4,900) |
| **Earnings (loss) per share (note 20)** | | |
| Basic | 0.05 | (0.01) |
| Diluted | 0.05 | (0.01) |

# Interim Consolidated Statements of Comprehensive Income (Loss)

(Expressed in thousands of US dollars - unaudited)

| | Three-month period ended March 31, 2019 $ | 2018 $ |
|---|---|---|
| **Net income (loss) for the period** | **21,122** | (4,900) |
| **Other comprehensive income (loss)** | | |
| **Item that will not be reclassified to profit or loss** | | |
| Changes in fair value of equity investments at FVOCI (net of tax of nil) | **2,349** | (553) |
| **Comprehensive income (loss) for the period, net of tax** | **23,471** | (5,453) |
| **Attributable to:** | | |
| Shareholders of the Corporation | **20,015** | (5,263) |
| Non-controlling interests (note 19) | **3,456** | (190) |
| | **23,471** | (5,453) |

# Interim Consolidated Statements of Changes in Equity

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

| | Attributable to shareholders of the Corporation | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | | | | | | | |
| | Common shares | Amount | Contributed surplus | Accumulated other comprehensive income (loss) | Retained earnings | Total | Non-controlling interests | TOTAL EQUITY |
| | (in thousands) | $ | $ | $ | $ | $ | $ | $ |
| **Balance - December 31, 2017** | 324,982 | 622,294 | 7,220 | 2,256 | 97,710 | 729,480 | 31,082 | 760,562 |
| Adjustment on adoption of IFRS 9 (net of tax) | — | — | — | (19,600) | 19,600 | — | — | — |
| **Balance - January 1, 2018** | 324,982 | 622,294 | 7,220 | (17,344) | 117,310 | 729,480 | 31,082 | 760,562 |
| **Net loss for the period** | — | — | — | — | (4,710) | (4,710) | (190) | (4,900) |
| Other comprehensive loss for the period | | | | | | | | |
| Changes in fair value of equity investments at FVOCI (net of tax of nil) (note 14) | — | — | — | (553) | — | (553) | — | (553) |
| **Total comprehensive loss for the period, net of tax** | **—** | **—** | **—** | **(553)** | **(4,710)** | **(5,263)** | **(190)** | **(5,453)** |
| Shares issued from the exercise of options | 560 | 1,125 | (384) | — | — | 741 | — | 741 |
| **Balance – March 31, 2018** | **325,542** | **623,419** | **6,836** | **(17,897)** | **112,600** | **724,958** | **30,892** | **755,850** |
| **Balance – January 1, 2019** | 325,617 | 623,604 | 6,771 | (18,909) | 109,216 | 720,682 | 32,421 | 753,103 |
| **Net income for the period** | — | — | — | — | 17,666 | 17,666 | 3,456 | 21,122 |
| **Other comprehensive income for the period** | | | | | | | | |
| Changes in fair value of equity investments at FVOCI (net of tax of nil) (note 14) | — | — | — | 2,349 | — | 2,349 | — | 2,349 |
| **Comprehensive income for the period, net of tax** | **—** | **—** | **—** | **2,349** | **17,666** | **20,015** | **3,456** | **23,471** |
| Shares issued from the exercise of options | 201 | 704 | (274) | — | — | 430 | — | 430 |
| **Balance – March 31, 2019** | **325,818** | **624,308** | **6,497** | **(16,560)** | **126,882** | **741,127** | **35,877** | **777,004** |

## Interim Consolidated Statements of Cash Flows

(Expressed in thousands of US dollars - unaudited)

| | Three-month period ended March 31, 2019 $ | 2018 $ |
|---|---|---|
| **Cash flows from (used in):** | | |
| **Operating activities** | | |
| Net income (loss) for the period | 21,122 | (4,900) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 39,628 | 25,428 |
| Share-based compensation | 2,832 | 1,418 |
| Unrealized foreign exchange loss (gain) | 116 | (552) |
| Deferred income tax expense (recovery) | 14,999 | (2,936) |
| Other | 283 | (67) |
| | 78,980 | 18,391 |
| Changes in non-cash working capital items (note 22 a) | (15,736) | (15,636) |
| **Net cash provided by operating activities** | 63,244 | 2,755 |
| **Financing activities** | | |
| Repayment of long-term debt (note 11) | (15,000) | — |
| Repayment of equipment financing (note 11) | (77) | (77) |
| Payments of lease liabilities (note 12) | (2,125) | (1,145) |
| Proceeds on issuance of share capital, net of expenses | 430 | 741 |
| **Net cash used in financing activities** | (16,772) | (481) |
| **Investing activities** | | |
| Acquisitions of property, plant and equipment (note 22 c) | (43,179) | (61,156) |
| Net acquisitions of equity investments | — | (1,606) |
| **Net cash used in investing activities** | (43,179) | (62,762) |
| Effect of exchange rate changes on cash and cash equivalents | (827) | 958 |
| **Change in cash and cash equivalents during the period** | 2,466 | (59,530) |
| **Cash and cash equivalents – Beginning of period** | 96,519 | 198,950 |
| **Cash and cash equivalents – End of period** | 98,985 | 139,420 |
| Interest paid | 2,775 | 2,330 |
| Interest received | 548 | 710 |
| Income tax paid | 851 | 1,356 |

Supplementary information on non-cash items (note 22 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 ("TSX") and on the NASDAQ OMX Stockholm Exchange. The Corporation's headquarters are 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 two mines, the Boungou and Mana Mines in Burkina Faso. SEMAFO is committed to building value through responsible mining of its quality assets and leveraging its development pipeline. 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, 2018, except for the adoption of new accounting standards as described in note 4. These condensed interim consolidated financial statements should be read in conjunction with the Corporation's annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

The Board of Directors approved these condensed interim consolidated financial statements on May 7, 2019.

# 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, 2018.

**Leases**

The Corporation is a party to lease contracts for, among others:

a) Buildings and equipment related to mining production
   - office space
   - workshop
   - tank

b) Mining equipment

c) Rolling stock, communication and computer equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Corporation. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the lease term on a straight-line basis or over the operating life of the mine based on estimated recoverable ounces of gold (the units of production method).

# 3. Summary of Significant Accounting Policies (continued)

**Leases** (continued)

Right-of-use assets

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred by the Corporation,
- restoration costs.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. These include:

- fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the Corporation under residual value guarantees;
- the exercise price of a purchase option if the Corporation is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the Corporation’s incremental borrowing rate unless the implicit rate in the lease contract is readily determinable in which case the latter is used.

Extension and termination options are included in a number of the Corporation's property and equipment leases. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Corporation and not by the respective lessor. The lease term determined by the Corporation comprises:

- a non-cancellable period of lease contracts;
- periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Corporation is reasonably certain not to exercise that option.

Exemptions

The Corporation elected to apply exemptions for leases for which the underlying asset is of low value or for which the lease term does not exceed 12 months. Payments associated with such leases are recognized on a straight-line basis as an expense in profit or loss.

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

## 4. New Accounting Standards Issued and in Effect

**IFRS 16, *Leases* ("IFRS 16")**

On January 1, 2019, the Corporation adopted IFRS 16, which establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). IFRS 16 replaces the previous leases standard, IAS 17, *Leases*, and related Interpretations.

The most significant change of adopting IFRS 16 is the recognition of right-of-use assets and lease liabilities for existing operating leases under IAS 17.

The Corporation has adopted the standard on a retrospective basis with the cumulative effect of initially applying IFRS 16 recorded as of January 1, 2019, with any effect recorded to the retained earnings and no restatement of prior years. Since the Corporation recognized the right-of-use assets at the amount equal to the lease liabilities less any lease accruals, there was no impact on the retained earnings upon the adoption. For leases previously classified as finance leases under IAS 17, the right-of-use asset and the lease liability as of January 1, 2019 were determined as the carrying amount of the lease asset and lease liability immediately before that date, measured applying IAS 17.

The adoption of IFRS 16 resulted in the recognition of additional right-of-use assets (within property, plant and equipment) and lease liabilities for operating leases in the amount of $7,371,000 as at January 1, 2019. These liabilities were measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as of January 1, 2019, which was an average rate of 7% or using the implicit rate in the contract.

In applying IFRS 16 for the first time, the Corporation has used the following expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases (lease-by-lease basis);
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- the reliance on its assessment of whether leases are onerous.

The Corporation has elected to recognize the expense of low-value leases on a straight-line basis over the lease term.

The following table provides a reconciliation between operating lease commitments as at December 31, 2018 applying IAS 17 and the lease liabilities recognized as at January 1, 2019, applying IFRS 16:

| | $ |
|---|---|
| **Operating lease commitments as per IAS 17 as at December 31, 2018** | **8,762** |
| Discounted using the Corporation's incremental borrowing rate of 7% or the rate implicit in the lease contract | (981) |
| (Less): Transitional practical expedient - the lease term ends within 12 months of the date of initial application | (158) |
| (Less): low-value leases recognized on a straight-line basis | (252) |
| **Subtotal - Additional lease liability from the initial application of IFRS 16** | **7,371** |
| Add: finance lease liabilities recognized as per IAS 17 as at December 31, 2018 (note 12) | 27,964 |
| **Lease liability as at January 1, 2019** | **35,335** |

**IFRIC 23, *Uncertainty over Income Tax Treatments* (''IFRIC 23'')**

The interpretation clarifies application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:

a) Whether an entity considers uncertain tax treatments separately;
b) The assumptions an entity makes about the examination of tax treatments by taxation authorities;
c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
d) How an entity considers changes in facts and circumstances.

IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. The Corporation concluded that there is no impact on its financial statements upon the adoption of IFRIC 23 on its financial statements.

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

# 4. New Accounting Standards Issued and in Effect (continued)

**IAS 23, *Borrowing Costs* (''IAS 23")**

In December 2017, the IASB issued amendments to IAS 23. The amendments to IAS 23 clarify which borrowing costs are eligible for capitalization in particular circumstances.

IAS 23 is applicable for annual periods beginning on or after January 1, 2019. The Corporation concluded that there is no impact on its financial statements upon the adoption of the amendments to IAS 23.

# 5. Critical Accounting Estimates and Judgments

**Valuation of lease liabilities and right-of-use assets**

The application of IFRS 16 requires the Corporation to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include: determining contracts in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Corporation generally comprises a non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Corporation is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Corporation is reasonably certain not to exercise that option. The same term is applied as economic useful life of right-of-use assets.

# 6. Cash

| | As at March 31, 2019 | As at December 31, 2018 |
|---|---|---|
| **Cash and cash equivalents** | $ | $ |
| Cash | **72,994** | 70,803 |
| Cash equivalents | **25,991** | 25,716 |
| **Total cash and cash equivalents** | **98,985** | 96,519 |
| **Restricted cash** | | |
| Deposit account in relation with the Credit Facility with Macquarie (note 11) | **15,000** | 15,000 |
| Funds held in trust for asset retirement obligations | **9,449** | 9,639 |
| Other | **714** | 701 |
| **Total restricted cash** | **25,163** | 25,340 |
| **Total cash and cash equivalents and restricted cash** | **124,148** | 121,859 |

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

## 7. Trade and Other Receivables

| | As at March 31, 2019 $ | As at December 31, 2018 $ |
|---|---|---|
| Gold trade receivables | **1,251** | 92 |
| Other receivables | **36,076** | 28,489 |
| Current portion of the advance receivable | **836** | 853 |
| | **38,163** | 29,434 |

Gold trade receivables relate to gold shipments not yet collected. They are non-interest bearing and are generally settled within 15 days.

Other receivables include VAT receivables totaling $35,635,000 as at March 31, 2019 (December 31, 2018: $27,381,000). They are non-interest bearing and are generally settled within 12 months. The VAT receivables that are past due (more than twelve months) amounted to $3,296,000 as at March 31, 2019 (December 31, 2018: nil).

For the three-month period ended March 31, 2019, no provision expense was recorded on VAT receivables (Three-month period ended March 31, 2018: nil).

The Corporation holds no collateral for any receivable amounts outstanding as at March 31, 2019 (December 31, 2018: nil).

## 8. Inventories

| | As at March 31, 2019 $ | As at December 31, 2018 $ |
|---|---|---|
| Doré bars | **2,241** | 3,141 |
| Gold in circuit | **13,932** | 15,604 |
| Stockpiles | **11,742** | 12,176 |
| Supplies and spare parts | **56,687** | 52,290 |
| | **84,602** | 83,211 |

For the three-month period ended March 31, 2019, mainly in relation to spare parts, a net provision expense amounting to $277,000 was recorded (Three-month period ended March 31, 2018: $563,000).

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

## 9. Property, Plant and Equipment

| | Property, acquisition costs, deferred exploration and development costs | Exploration and evaluation assets (ii) | Mineral properties under development (iii) | Buildings and equipment related to mining production | Mining equipment | Rolling stock, communication and computer equipment | TOTAL |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **Three-month period ended March 31, 2019** | | | | | | | |
| Opening net carrying amount | 419,963 | 42,088 | 10,785 | 250,227 | 49,239 | 9,758 | 782,060 |
| Addition as at January 1, 2019 from the transition to IFRS 16 (note 4) | — | — | — | 1,716 | 4,270 | 1,385 | 7,371 |
| Adjusted opening net carrying amount | 419,963 | 42,088 | 10,785 | 251,943 | 53,509 | 11,143 | 789,431 |
| Additions | 29,524 | 1,768 | — | 4,767 | 2,863 | 356 | 39,278 |
| Underground development (iv) | — | — | 9,539 | — | — | — | 9,539 |
| Retirement of assets (v) | — | — | — | — | (3) | — | (3) |
| Depreciation charge | (25,564) | — | — | (10,079) | (5,243) | (805) | (41,691) |
| **Closing net carrying amount** | **423,923** | **43,856** | **20,324** | **246,631** | **51,126** | **10,694** | **796,554** |
| **As at March 31, 2019** | | | | | | | |
| Cost | 735,730 | 43,856 | 20,324 | 384,113 | 125,991 | 21,848 | 1,331,862 |
| Accumulated depreciation | (311,807) | — | — | (137,482) | (74,865) | (11,154) | (535,308) |
| **Net book amount** | **423,923** | **43,856** | **20,324** | **246,631** | **51,126** | **10,694** | **796,554** |
| Right-of-use assets (note 12) | — | — | — | 4,633 | 27,799 | 2,298 | 34,730 |
| Assets not subject to depreciation included in above (i) | 238 | 43,856 | 20,324 | 5,993 | 4,209 | 40 | 74,660 |
| Year ended December 31, 2018 | | | | | | | |
| Opening net carrying amount | 173,403 | 31,298 | 341,787 | 93,068 | 60,443 | 3,342 | 703,341 |
| Additions | 72,393 | 10,790 | 96,958 | 6,921 | 7,183 | 2,132 | 196,377 |
| Underground development (iv) | — | — | 10,785 | — | — | — | 10,785 |
| Retirement of assets | (123) | — | — | (292) | (784) | — | (1,199) |
| Depreciation charge | (76,491) | — | — | (19,394) | (17,603) | (1,434) | (114,922) |
| Reclassification | 250,781 | — | (438,745) | 169,924 | — | 5,718 | (12,322) |
| Closing net carrying amount | 419,963 | 42,088 | 10,785 | 250,227 | 49,239 | 9,758 | 782,060 |
| As at December 31, 2018 | | | | | | | |
| Cost | 706,206 | 42,088 | 10,785 | 377,630 | 118,869 | 20,107 | 1,275,685 |
| Accumulated depreciation | (286,243) | — | — | (127,403) | (69,630) | (10,349) | (493,625) |
| Net book amount | 419,963 | 42,088 | 10,785 | 250,227 | 49,239 | 9,758 | 782,060 |
| Assets not subject to depreciation included in above (i) | 20 | 42,088 | 10,785 | 3,495 | 3,547 | 116 | 60,051 |

(i) Assets not subject to depreciation include capital spare parts not yet installed of $5,961,000 (December 31, 2018: $5,171,000) as well as assets under construction, in transit or exploration and evaluation assets of $68,699,000 (December 31, 2018: $54,880,000).

(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.

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

# 9. Property, Plant and Equipment (continued)

(iii) **Boungou project**

In 2015, the Corporation completed the acquisition of all Orbis Gold Limited shares and as a result, it acquired the Boungou gold project. On February 25, 2016, the Corporation announced the results of the feasibility study of the Boungou project. On March 29, 2016, the Corporation amended its credit facility with Macquarie Bank Limited ("Macquarie") in order to secure sufficient financial resources to bring Boungou into production. On December 22, 2016, the Council of Ministers of Burkina Faso approved the award of the Boungou mining permit. Upon the formal award of the mining decree, the Government of Burkina Faso is entitled to a 10% interest in the project; therefore reducing the Corporation's interest to 90%.

On December 22, 2016, management determined that the technical feasibility and commercial viability of the Boungou project had been established.

As at September 1, 2018, the commercial production had been achieved at the Boungou Mine. As a result, the capitalization of pre-commercial costs ceased effective September 1, 2018, including borrowing costs. The Corporation reclassified amounts from "mineral properties under development" to appropriate property, plant and equipment categories and to inventories of $12,322,000.

Prior to commercial production being reached, the amount of borrowing costs capitalized for the year-end December 31, 2018 was $7,930,000. Borrowing costs consisted of interest expense and amortization of deferred transaction costs on the credit facility with Macquarie (note 11) and finance costs related to the lease liabilities (note 12). Gold sales resulting from pre-production activities are offset against capitalized costs and amounted to $14,994,000 in 2018.

(iv) **Siou underground development**

In February 2018, the Corporation completed a Mana pre-feasibility study ("PFS") that includes the underground mine at Siou. In September 2018, the Corporation began the 18-month Siou underground development. As a result, the development costs are capitalized as ''mineral properties under development'' and amounts capitalized will be carried at cost until the project has reached production. During the development period, the amount of borrowing costs capitalized for the three-month period ended March 31, 2019 was $510,000 (Three-month period ended March 31, 2018: nil). Borrowing costs consisted of interest expense and amortization of deferred transaction costs on the Credit Facility with Macquarie (note 11) and finance costs related to the lease liabilities (note 12).

(v) In the three-month period ended March 31, 2019, the Corporation retired assets with a cost of $11,000 and accumulated depreciation of $8,000.

# 10. Other Non-Current Financial Assets

| | As at March 31, 2019 | As at December 31, 2018 |
|---|---|---|
| | $ | $ |
| Investment in GoviEx Uranium Inc ("GoviEx") (note 14) | **1,176** | 1,079 |
| Investment in Savary Gold Corp. ("Savary Gold") (note 14) | **3,702** | 1,450 |
| Other | **259** | 93 |
| | **5,137** | 2,622 |

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

## 11. Long-Term Debt

**Long-term debt consists of the following:**

| | As at March 31, 2019 $ | As at December 31, 2018 $ |
|---|---|---|
| Credit Facility (a) | **105,000** | 120,000 |
| Unamortized deferred transaction costs | **(2,032)** | (2,612) |
| Equipment financing | **104** | 181 |
| **Long-term debt, net of deferred transaction costs** | **103,072** | 117,569 |
| Current portion | **60,104** | 60,181 |
| Non-current portion | **42,968** | 57,388 |
| | **103,072** | 117,569 |

| | As at March 31, 2019 $ | As at December 31, 2018 $ |
|---|---|---|
| Balance - beginning of period | **117,569** | 115,557 |
| Principal repayment | **(15,077)** | (310) |
| Amortization of transaction costs | **580** | 2,322 |
| **Balance - end of period** | **103,072** | 117,569 |

**(a) Credit Facility with Macquarie**

As at March 31, 2019, the credit facility with Macquarie ("Credit Facility") amounted to $105,000,000 and bore interest at a rate equal to LIBOR plus 4.75% per annum, with principal repayable in eight equal quarterly installments of $15,000,000, the first principal repayment was made on March 31, 2019. The Credit Facility is secured by a pledge of all assets of SEMAFO Inc., which include SEMAFO (Barbados) Limited shares.

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 its 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 6).

Following the commercial production at Boungou, different covenants started to be applied in line with the terms of the Credit Facility. The Credit Facility is subject to maintaining the minimum following consolidated covenants on a quarterly basis:

- Current Ratio of greater than 1.20:1.00
- Ratio of Net Debt to Trailing Two Quarter EBITDA of less than 5.00:1.00

As at March 31, 2019, all covenants were met.

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

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

## 12. Leases

**Right-of-use assets are included within property, plant and equipment and consist of the following:**

| | Buildings and equipment related to mining production | Mining equipment | Rolling stock, communi-cation and computer equipment | TOTAL |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Three-month period ended March 31, 2019** | | | | |
| Opening net carrying amount (assets previously under finance leases under IAS 17 | 2,937 | 24,293 | 1,005 | 28,235 |
| Addition as at January 1, 2019 from the transition to IFRS 16 (note 4) | 1,716 | 4,270 | 1,385 | 7,371 |
| Adjusted net carrying amount, as per IFRS 16 | 4,653 | 28,563 | 2,390 | 35,606 |
| Additions | 218 | 1,992 | 129 | 2,339 |
| Depreciation charge | (238) | (2,756) | (221) | (3,215) |
| **Closing net carrying amount** | **4,633** | **27,799** | **2,298** | **34,730** |

**Lease liabilities consist of the following:**

| | As at March 31, 2019 | As at December 31, 2018 |
|---|---|---|
| | $ | $ |
| Opening balance, lease liabilities as per IAS 17 (previous finance leases under IAS 17) | 27,964 | 23,711 |
| Addition as at January 1, 2019 from the transition to IFRS 16 (note 4) | 7,371 | — |
| Adjusted opening balance, lease liabilities as per IFRS 16 | 35,335 | 23,711 |
| New debt obligations under lease liabilities | 2,339 | 9,738 |
| Mobilization payment during the period | (80) | (154) |
| Payments during the period | (2,045) | (5,331) |
| Impact of foreign exchange | (103) | — |
| **Closing balance, lease liabilities** | **35,446** | **27,964** |
| Current portion | 11,793 | 7,820 |
| Non-current portion | 23,653 | 20,144 |
| | **35,446** | **27,964** |

These liabilities were measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as of January 1, 2019, which was 7% or the interest rate implicit in one particular lease, which was 7.5% There are no restrictions or covenants imposed by the leases.

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

## 13. Provisions

| | As at March 31, 2019 | As at December 31, 2018 |
|---|---|---|
| | $ | $ |
| Current | **2,928** | 3,051 |
| Non-current | **24,022** | 23,561 |
| | **26,950** | 26,612 |

| | Asset retirement obligations | Other | Total |
|---|---|---|---|
| | $ | $ | $ |
| As at January 1, 2018 | 11,939 | 3,388 | 15,327 |
| Additional provisions | 10,599 | — | 10,599 |
| Variation due to accretion expense, exchange rate and provision used during the year | 915 | (229) | 686 |
| As at December 31, 2018 | 23,453 | 3,159 | 26,612 |
| Additional provisions | 98 | — | 98 |
| Variation due to accretion expense, exchange rate and provision used during the period | 410 | (170) | 240 |
| **As at March 31, 2019** | **23,961** | **2,989** | **26,950** |

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

# 14. Financial Instruments

**Measurement Categories**

Financial assets and financial 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 OCI. These categories are financial assets at amortized cost, financial assets at FVOCI and financial liabilities at amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories as at March 31, 2019 and December 31, 2018.

| | As at March 31, 2019 $ | As at December 31, 2018 $ |
|---|---|---|
| **Financial assets** | | |
| Financial assets at amortized cost | | |
| Cash and cash equivalents | **98,985** | 96,519 |
| Restricted cash | **25,163** | 25,340 |
| Gold trade receivables | **1,251** | 92 |
| Advance receivable | **2,752** | 2,970 |
| Other receivables (excluding VAT) | **441** | 1,258 |
| Financial assets at FVOCI | | |
| Investment in GoviEx | **1,176** | 1,079 |
| Investment in Savary Gold | **3,702** | 1,450 |
| Other | **1,740** | 776 |
| | **135,210** | 129,484 |
| **Financial liabilities** | | |
| Financial liabilities at amortized cost | | |
| Trade payables and other financial liabilities | **52,507** | 56,849 |
| Long-term debt | **103,072** | 117,569 |
| Lease liabilities | **35,446** | 27,964 |
| | **191,025** | 202,382 |

**Financial Risk Factors**

**a) Market**

**i. Fair Value**

Current financial assets and financial 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.

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 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.

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

## 14. Financial Instruments (continued)

**Advance Receivable**

The advance receivable 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 statement of income (loss) as part of "finance income". The fair value as at March 31, 2019 was $2,752,000 (December 31, 2018: $2,970,000) and was not significantly different from its carrying amount.

**Lease liabilities**

Lease liabilities are recognized at the lower of the fair value and the present value of minimum lease payments at inception of the leases. Their fair value approximates their carrying value.

**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 financial assets at FVOCI. Its fair value is a recurring measurement.

The investment in GoviEx is a Level 1 in the fair value hierarchy. In accordance with the Corporation's policy and using the last closing price observed on the TSX-V, the Corporation estimates its fair value to be $1,176,000 as at March 31, 2019 (December 31, 2018: $1,079,000).

**Investment in Savary Gold**

In February 2018, SEMAFO acquired 33,333,333 shares in Savary Gold for an amount of $1.6 million. Proceeds of the investment are being used to advance the Karankasso project. In December 2018, the Corporation acquired an additional 6,200,000 shares in Savary Gold and 3,100,000 warrants for an amount of $232,000.

Savary Gold is a Canadian exploration company, whose shares are traded on the TSX-V and has properties in Burkina Faso. The investment is Savary Gold is determined to be a Level 1 in the fair value hierarchy and its fair value is a recurring measurement. On initial recognition, the Corporation designated its investment in Savary Gold as a financial asset at FVOCI. In accordance with the Corporation's policy and using the last closing price observed on the TSX-V, the Corporation estimates its fair value to be $3,702,000 as at March 31, 2019 (December 31, 2018: $1,450,000).

The warrants are determined to be a Level 3 in the fair value hierarchy and their fair value is a recurring measurement. It is classified as a financial asset at FVPL. The warrants are entitled to purchase 3,100,000 shares in Savary Gold on December 31, 2021 at an exercise price of C$0.05. In accordance with the Corporation's policy and using the Black and Scholes model, the Corporation estimates that its fair value is $259,000 as at March 31, 2019. For subsequent information on Savary Gold, please refer to note 24.

There were no transfers between Level 1, Level 2 and Level 3 during the three-month period ended March 31, 2019.

## 15. Mining Operation Expenses

The following table details mining operation expenses by nature:

| | Three-month period ended March 31, | |
|---|---|---|
| | **2019** | 2018 |
| | **$** | $ |
| Operating and maintenance supplies and services | **33,195** | 19,927 |
| Fuel | **19,109** | 12,025 |
| Employee benefits expenses | **9,181** | 8,167 |
| Reagents | **4,452** | 3,145 |
| Inventory change | **1,639** | 2,067 |
| Less: Production expenses capitalized as stripping cost | **(23,326)** | (8,697) |
| Total Production costs | **44,250** | 36,634 |
| Government royalties and development taxes | **7,155** | 3,144 |
| **Mining operation expenses** | **51,405** | 39,778 |

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

## 16. General and Administrative

| | Three-month period ended March 31, | |
|---|---|---|
| | **2019** | 2018 |
| | **$** | $ |
| Corporate expenses | **3,200** | 3,282 |
| Sites – Administrative | **760** | 635 |
| | **3,960** | 3,917 |

## 17. Share-Based Compensation

The following table details the share unit plan liabilities:

| | As at March 31, | As at December 31, |
|---|---|---|
| | **2019** | 2018 |
| | **$** | $ |
| Current | **4,172** | 3,311 |
| Non-current | **2,092** | 2,263 |
| | **6,264** | 5,574 |

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

| | Three-month period ended March 31, | |
|---|---|---|
| | **2019** | 2018 |
| | **$** | $ |
| Restricted Share Units | **1,574** | 831 |
| Deferred Share Units | **931** | 486 |
| Performance Share Units | **327** | 101 |
| | **2,832** | 1,418 |

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

| | Three-month period ended March 31, | |
|---|---|---|
| | **2019** | 2018 |
| | **$** | $ |
| Expense related to outstanding units | **1,217** | 1,321 |
| Expense related to change in the fair value of the share price | **1,615** | 97 |
| | **2,832** | 1,418 |

## 18. Finance Costs

| | Three-month period ended March 31, 2019 $ | 2018 $ |
|---|---|---|
| Interest on long-term debt | **1,870** | — |
| Interest on lease liabilities | **507** | — |
| Accretion expense | **413** | 155 |
| Amortization of deferred transaction costs | **500** | — |
| Other | **266** | 158 |
| | **3,556** | 313 |

## 19. Non-Controlling Interests

| | Three-month period ended March 31, 2019 $ | 2018 $ |
|---|---|---|
| Government of Burkina Faso – 10% in SEMAFO Boungou S.A. | **2,859** | 15 |
| Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A. | **597** | (205) |
| | **3,456** | (190) |

## 20. Earnings (loss) per Share

| | Three-month period ended March 31, 2019 $ | 2018 $ |
|---|---|---|
| **(in thousands, except shares and per share amounts)** | | |
| Net income (loss) for the period attributable to shareholders of the Corporation | **17,666** | (4,710) |
| Average weighted number of outstanding common shares – basic | **325,644** | 325,062 |
| Dilutive effect of options[1] | **180** | — |
| Weighted average number of outstanding common shares – diluted | **325,824** | 325,062 |
| Earnings (loss) per share | **0.05** | (0.01) |
| Diluted earnings (loss) per share[1] | **0.05** | (0.01) |

[1] When there is a net loss attributable to shareholders of the Corporation, diluted loss per share is calculated from the basic weighted average number of outstanding common shares because the effect of options is anti-dilutive.

# 21. Financial Commitments and Contingencies

**Purchase Obligations**

As at March 31, 2019, purchase commitments totalled $3,850,000.

**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.

For the three-month period ended March 31, 2019, the Corporation was subject to royalty rates of 4% and 5% (Three-month period ended March 31, 2018: 5%), which were calculated using the retail market value of gold ounces sold at the time of shipment. For the three-month period ended March 31, 2019, royalties amounting to $6,299,000 (Three-month period ended March 31, 2018: $3,144,000) were paid to the Government of Burkina Faso.

**Community Development Tax**

The Corporation is subject to a community development tax of 1% of its revenues at the Boungou Mine. For the three-month period ended March 31, 2019, the community development tax at the Boungou Mine amounted to $856,000 (Three-month period ended March 31, 2018: nil).

**Net Smelter Royalty ("NSR") and Net Profits Interest ("NPI")**

The Corporation is subject to an NSR from 1% to 1.5% on various exploration properties. The NSR comes into effect when the Corporation enters into commercial production. The Corporation is also subject to an NPI from 0.5% to 1% on various exploration properties.

**Contingencies**

Water Extraction Tax

On October 15, 2015, the Corporation received a water extraction tax invoice of $3,839,000 (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 condensed interim consolidated financial statements as at March 31, 2019. The Corporation is vigorously defending its position with the Water Agency.

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

# 22. Financial Information Included in the Interim Consolidated Statements of Cash Flows

### a) Changes in Non-Cash Working Capital Items

| | Three-month period ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Trade and other receivables | **(8,534)** | (5,980) |
| Income tax receivable | **(291)** | (1,175) |
| Inventories | **(2,757)** | (704) |
| Other current assets | **133** | (695) |
| Trade payables and accrued liabilities | **(2,385)** | (1,898) |
| Share unit plan liabilities | **(2,142)** | (5,271) |
| Provisions | **240** | 87 |
| | **(15,736)** | (15,636) |

### b) Supplemental information on non-cash items

| | Three-month period ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Depreciation of property, plant and equipment allocated to exploration and development costs | **2,775** | 1,045 |
| Depreciation of property, plant and equipment allocated to mineral properties under development | **694** | 1,442 |
| Net effect of depreciation of property, plant and equipment allocated to inventories | **(1,366)** | (802) |
| New asset retirement obligations allocated to property, plant and equipment | **98** | 950 |
| Variation in accounts payable related to property, plant and equipment | **(348)** | (6,545) |
| Variation in lease liabilities obligations related to property, plant and equipment | **9,710** | (177) |
| Amortization of capitalized financing fees | **80** | 580 |

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

| | Three-month period ended March 31, | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Acquisitions of exploration and evaluation assets | **(2,793)** | (1,693) |
| Acquisitions of other property, plant and equipment | **(40,386)** | (59,463) |
| | **(43,179)** | (61,156) |

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

# 23. 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 March 31, 2019 | Boungou, Burkina Faso | Mana, Burkina Faso | Other exploration | Corporate and other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Revenue – Gold sales | 84,492 | 54,049 | — | — | 138,541 |
| Mining operating expenses | 21,794 | 29,611 | — | — | 51,405 |
| Depreciation of property, plant and equipment | 24,948 | 14,531 | — | 149 | 39,628 |
| General and administrative | 217 | 543 | — | 3,200 | 3,960 |
| Corporate social responsibility expenses | 82 | 275 | — | — | 357 |
| Share-based compensation | — | — | — | 2,832 | 2,832 |
| **Operating income (loss)** | **37,451** | **9,089** | **—** | **(6,181)** | **40,359** |
| Property, plant and equipment | 430,352 | 319,122 | 44,013 | 3,067 | 796,554 |
| Total assets | 512,459 | 435,812 | 44,864 | 70,478 | 1,063,613 |

| Three-month period ended March 31, 2018 | Boungou, Burkina Faso | Mana, Burkina Faso | Other exploration | Corporate and other | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Revenue – Gold sales | — | 62,698 | — | — | 62,698 |
| Mining operating expenses | — | 39,778 | — | — | 39,778 |
| Depreciation of property, plant and equipment | — | 25,332 | — | 96 | 25,428 |
| General and administrative | — | 635 | — | 3,282 | 3,917 |
| Corporate social responsibility expenses | 37 | 185 | — | — | 222 |
| Share-based compensation | — | — | — | 1,418 | 1,418 |
| **Operating loss** | **(37)** | **(3,232)** | **—** | **(4,796)** | **(8,065)** |
| Property, plant and equipment | 405,743 | 292,844 | 34,624 | 1,497 | 734,708 |
| Total assets | 413,452 | 438,108 | 35,590 | 122,183 | 1,009,333 |

The Corporation's revenue is derived from a refiner. 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.

# 24. Event After the Reporting Period

On April 30, 2019, SEMAFO announced completion of the previously announced acquisition (the "Transaction") whereby SEMAFO acquired all of the issued and outstanding shares of Savary Gold. Under the terms of the Transaction, Savary Gold shareholders received 0.0336 SEMAFO common shares for each Savary Gold common share. Upon closing, SEMAFO has approximately 333.1 million common shares outstanding. Savary Gold common shares were de-listed from the TSX Venture Exchange.